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Central Bank Says Russia's Foreign Debt Fell $130 Billion in 2014

By The Moscow Times

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Russian ruble and U.S. dollar banknotes are seen on a table at a bank in Moscow.

Russia's overall foreign debt fell by nearly $130 billion in 2014, Central Bank data showed on Tuesday, with total debt standing at $599.5 billion on Jan. 1, 2015.

Foreign debt has been falling rapidly in recent months as companies pay off foreign loans. Western sanctions imposed over the Ukraine conflict are making it harder for them to borrow abroad and refinance their debt.

However, much of the decline was a nominal effect. The ruble's devaluation has reduced the dollar value of foreign debts denominated in rubles.

Foreign exchange reserves have also been falling rapidly, declining last year to $385.5 billion from $509.6 billion.

The Central Bank said external debt of companies and banks at the start of 2015 stood at

$547.6 billion, down from $651.2 billion a year earlier and from $659.4 billion on July 1.

Government debt fell to $41.5 billion from $61.7 billion, with Central Bank debt falling to $10.4 billion from $16 billion.

The overall debt, including both the government and private sector, fell from $728.9 billion a year earlier and from $732.4 billion on July 1.

"Overall this is good adjustment," said Alfa Bank economist Natalia Orlova. "When you have oil prices declining and the economy is making less money on the trade balance, it's normal that foreign debt should go down."

She added, however, that around 60 percent of last year's $104 billion decline in corporate and bank debt was caused by the weaker ruble reducing ruble-denominated foreign debts.

Russian companies owe around 5 trillion rubles ($80 billion) in such debts, for example in the form of ruble-denominated Eurobonds and loans from offshore parent companies.

"There is a very big revaluation effect because the ruble is weaker and part of the foreign debt is denominated in rubles. It doesn't mean that companies and banks have redeemed this [amount]," Orlova said.

This year, the Central Bank estimates that companies will need to pay off around $100 billion in foreign debts, with Western bank lending not expected to revive until sanctions are lifted.

The repayments have been a major factor weighing on the ruble, with accumulation of dollars to repay foreign debts contributing to a shortage of foreign exchange.

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