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Ukraine Cuts Official Currency Rate

By The Moscow Times

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KIEV — Ukraine cut the hryvna's official rate on Monday to an all-time low of 24.96 to the dollar, the Central Bank said, bringing it broadly into line with the market rate following a steep slump in the currency's value last week.

The rate stood at 23.13 on Friday.

On Thursday the hryvna lost 30 percent against the dollar after the bank moved towards a free float, stopping currency auctions that had served as a peg for the exchange rate and ramping up base interest rates.

The move all but paralyzed the country's foreign exchange market, with buyers of hard currency putting off purchases and sellers holding out for higher levels.

According to Reuters data, the bid/ask spread for the hryvna was in a range of 24.50-25.50 to the dollar on Monday.

The head of FX and money markets at a large Ukrainian bank said sufficient dollar buyers had emerged at around 25.00.

The outcome of talks in Minsk to push for an end to the country's conflict with Russia, which has brought Ukraine close to bankruptcy, remained key for the market, he said.

"Trading has been active. If everything goes well in Minsk and if the IMF also gives us money, then we could strengthen to 22-23, but if everything breaks down on Wednesday in Minsk, then I cannot vouch for the rate," he said by telephone.

Fighting between Ukrainian government troops and pro-Russian separatists has intensified in the past month and the meeting in neighboring Belarus between leaders of Ukraine, Russia, France and Germany is aimed at brokering a fresh ceasefire.

The conflict has also prompted Kiev to seek an increase in foreign aid, including from the International Monetary Fund, to plug an estimated $15 billion funding gap.

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