

Tax Payments, Weak Forex Demand Boost Russian Ruble

By [The Moscow Times](#)

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Russia's ruble strengthened on Monday, helped by companies selling foreign currency ahead of end-of-month tax payments to the state budget and also by weak demand for dollars and euros.

At 4:30 p.m., the ruble was around 0.7 percent stronger against the dollar at 49.22 and gained 1.3 percent to trade at 56 versus the euro.

The ruble's rise came despite Central Bank purchases of foreign currency to top up its reserves — a policy shift announced last week — and modest losses in global prices for oil, Russia's chief export.

Russia's end-of-month tax period began on May 15, with the bulk of the taxes falling due next

week, including those for which exporters convert most foreign currency into rubles.

Analysts say demand for foreign currency has tailed off now that the peak of foreign debt repayments by Russian firms in the first half of the year has passed.

On Monday, the Central Bank said it bought \$200 million on the forex market on May 14, the maximum daily amount it said it would buy to replenish the reserves.

The bank also canceled a one-year forex repo auction that it has been holding to ease demand for dollars following a collapse in the ruble in December.

"Today's decision not to hold the yearly auction indirectly points to a willingness to restrain the ruble's rise," Dmitry Polevoy, an economist at ING Bank in Moscow, said in a note.

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Russian policymakers including Finance Minister Anton Siluanov have been at pains to suggest a recent ruble rally has been overdone. A stronger ruble threatens to inflate Russia's budget deficit by depressing the country's earnings from exports of oil and gas in ruble terms.

Russian share indexes were mixed on Monday.

The dollar-denominated RTS index was up 0.6 percent to 1,081 points, while its ruble-based peer MICEX was down 0.1 percent at 1,689 points.

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