The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Kremlin Denies 'Collapse' as Ruble Plunges to New Record Lows

By Peter Hobson

January 21, 2016



The ruble weakened to a new record low against the dollar on Thursday as the latest falls in global oil prices threatened to worsen Russia's economic slump and the Kremlin sought to play down fears of a currency collapse.

The ruble plunged from about 82 to the U.S. dollar to more than 85 shortly after midday — taking its losses so far this year to 14 percent, and marking its weakest since redenomination in 1998.

The Russian currency also fell 3 percent on Thursday to 91.8 against the euro, close to record lows seen during a market meltdown in December 2014.

Kremlin spokesman Dmitry Peskov played down the movements: “I wouldn't use the word 'collapse.' The exchange rate is certainly changing, it is volatile, but it is nowhere near collapse,” he said, the Interfax news agency reported. He added that the Central Bank was monitoring the situation and could take measures if needed.

The ruble's falls come as the price of Brent oil fell below $28 per barrel. Global oil prices have fallen some 70 percent over the last 18 months due to global oversupply and fears over economic growth in China, a key driver of global demand. Oil is Russia's most important export.

Speaking at the economic forum in Davos, former Finance Minister Alexei Kudrin warned on Thursday that oil prices could fall to $16 per barrel, according to the TASS news agency.

That would further weaken the ruble, fuel inflation and likely extend Russia's recession into a second year.

Other oil producing ex-Soviet countries have also seen their currencies weaken sharply, with Azerbaijan introducing capital controls earlier this week to control the currency's decline.

Russia's Central Bank has said it would intervene on markets only if the falling ruble threatened financial stability.

So far, however, there has been no repeat of the panic of late 2014 when the rapid weakening of the ruble almost caused a run on banks. Russians have remained calm, with First Deputy Prime Minister Igor Shuvalov quoted by the Rambler News Service advising people on Wednesday to "spend less time looking at exchange rates."

Contact the author at p.hobson@imedia.ru

Original url:
https://www.themoscowtimes.com/2016/01/21/kremlin-denies-collapse-as-ruble-plunges-to-new-record-lows-a51532