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Oil Price Rally Gives Respite to Russian Ruble

By The Moscow Times

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The Russian ruble has strengthened sharply in recent days as an oil price rally eased the pressure on the economy of the world's largest energy exporter.

By Friday mid afternoon the ruble was trading at around 76 to the U.S. dollar — more than ten percent stronger than on Jan. 21 when the currency reached 85.99 to the greenback, its worst since since 1998.

The ruble has followed movements in the oil price, which rose sharply this week on news that Russia may negotiate output cuts with OPEC, the oil producers' cartel, to ease the oversupply on global markets and lift the cost of crude.

Brent oil, the global benchmark, sold for around $35 per barrel on Friday, up from less than $28 at the start of the week. Russia's budget relies on the energy industry for around half its revenue and is based on an average price of $50 per barrel this year.

However, Deputy Prime Minister Arkady Dvorkovich on Friday played down the likelihood of a coordinated cut to oil production, which could stall any price recovery.

Reuters news agency quoted him as saying: "We take the position that our oil sector is, to a significant extent, private, and is commercially minded, it is not under the direct control of the state. Our market is governed by the decisions of individual companies, and that is how it will continue."

The Central Bank last year warned that if oil averaged $35 per barrel over this year the economy would shrink by 2-3 percent.

Separately, the Central Bank on Friday held its key interest rate at 11 percent, citing an increased risk of inflation. The ruble on Friday was still around 4 percent weaker than at the start of January, raising the cost of imports and fueling price rises.

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