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Russia Proposes Devaluing Ruble by 10% - Reports

January 31, 2017

Vedomosti

Russia's Finance Ministry has proposed devaluing the ruble by 10 percent, according to media reports.

A weaker ruble could help the struggling Russian economy to reduce its budget deficits while the price of oil remains low.

The temporary fiscal policy could come into effect in February, the Reuters news agency reported Tuesday.

At current exchange rates of roughly 59 rubles to the U.S. dollar, oil prices would need to reach $76 dollars a barrel in order to balance Russia's federal budget, according to Reuters calculations.

With oil prices instead languishing at $55 per barrel, the country's budget deficit is currently

1.5 percent of GDP, or 464 billion rubles.

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By devaluing the currency now, the Ministry of Finance hopes that the ruble can stay better in line with oil prices and bounce back to its current rate of 60 rubles to the U.S. dollar by the time that oil prices have hit that level of between $75 and $80, which would give the treasury a surplus budget worth 2 percent of GDP and 2.3 trillion rubles for the country's reserves.

Both the Ministry of Finance and Russia's Central Bank have denied the claims.

Oil prices began to fall steeply in June 2014, when the cost of a barrel halved over the course of six months. The price of Brent crude oil eventually tumbled to $35 a barrel in Jan. 2016, before beginning to rise again in 2016.

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