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Russian Foreign Currency and Gold Reserves Hit $500Bln

Reserves are at their highest level since 2014.

By bne IntelliNews

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The foreign currency and gold reserves of the Central Bank of Russia (CBR) amounted to $502.7 billion as of the end of the week of June 14 — the first time Russia's gross international reserves (GIR) have topped the $500 billion mark since 2014, when the reserves where slashed from $510.5 billion to $388 billion by the need to support the plummeting ruble.

Reserves gained $7.5 billion in the reporting week, due to a positive revaluation of the foreign currency component and regular purchases of forein currency as part of the "budget rule" sterilising extra oil revenues, the CBR said in a statement.

The macroeconomic stability of the first quarter of 2019 has allowed the CBR to return to its

informal target of building up GIR to over $500 billion after it flip flopped on the issue earlier this year.

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The target was set by the CBR in 2015, as the currency market stabilised after the extreme volatility of 2014, and was repeated by CBR head Elvira Nabiullina until the spring of 2018. But in September 2018 along with front-loading the key interest rate by 25 basis points to 7.5 percent the CBR halted purchases of foreign currency on the currency market as the ruble came under increased pressure from the possibility of the toughening of sanctions.

Bloomberg claimed back in 2015 that setting a foreign currency and gold target of $500 billion was a direct "recommendation" from President Vladimir Putin, who has long been following a "fiscal fortress" policy of high reserves and low external debt, but has been resisted by the central bankers.

In the meantime the structure of GIR changed, as the CBR has boosted its gold reserves and cut the share of the U.S. dollar in its currency holdings. In 2018 the CBR bought a record 274.3 tonnes of gold, bringing its share in GIR to about 19 percent and accounting for 42 percent of all central bank gold purchases last year.

The regulator now holds 2,133 metric ton of gold, making it the fifth largest gold reserve in the world. At the same time the share of US dollar was cut from 43.7 percent to about 20 percent.

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