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Russian Ruble Surges, Becoming World's Best-Performing Currency

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Donat Sorokin / TASS

The Russian ruble strengthened to 82.3 to the U.S. dollar on Wednesday, making it the best-performing currency in the world year-to-date and outperforming even the traditional safe haven of gold.

The ruble has strengthened 38% versus the dollar on the over-the-counter market since the beginning of this year, data compiled by Bloomberg shows.

According to the Russian Central Bank, the real effective ruble exchange rate (against the currencies of Russia's main trading partners, adjusted for inflation) in March rose by 7.1% compared to the previous month. In annual terms, the exchange rate rose by 19.2% in the January-March period.

The Central Bank has implemented a stringent monetary policy, raising the key interest rate to 21% in response to rising inflation driven by increased military expenditure that has pushed the currency's value up. These high interest rates have attracted foreign investors

seeking higher returns, thereby increasing demand for the ruble.

At the same time, a positive trade surplus, despite the extreme sanctions regime, has added to the gains.

Russia recorded a trade surplus of $18.5 billion in the first two months of 2025, marking a 15% increase compared to the same period in the previous year. This was largely due to a 5% decline in imports and a 25% increase in foreign currency sales by Russian exporters, who were converting their earnings into rubles more aggressively, the independent Meduza news website reported.

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Sentiment has been improved by Donald Trump's return to the U.S. presidency and the rapidly warming relations between Washington and Moscow, with a ceasefire in the Ukraine war now seen as more likely.

Some international investors have been buying Russian assets via "friendly countries" in anticipation of a rally in their value, which has also increased demand for the Russian national currency.

On the flip side, Trump's "Liberation Day" tariffs have unsettled investors and undermined confidence in the dollar, which has also pushed up the ruble's value in relative terms, leading to concerns over its stability and a potential "confidence crisis" that has already hit U.S. bond and equity markets.

Finally, seasonal patterns have also played a role, with lower import activity in the early part of the year reducing demand for foreign currencies. Simultaneously, strong export performance has increased the supply of foreign currency, contributing to the ruble's appreciation.

A strong ruble is not good news for the Kremlin, as it reduces the competitiveness of Russian exports as well as the number of rubles available in the budget for soaring expenditure.

Russia's oil revenues are dominated in dollars, but expenditure is denominated in rubles, meaning a strong ruble reduces the number of rubles available to meet budgetary expenditure.

The 2025 budget forecasts a federal budget deficit of 0.5% of GDP, however, the Finance Ministry recently said that this target may be missed this year.

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