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# WRAPUP-2 Russia Must Use FX Reserves Cautiously- Kudrin

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Adds Kudrin on currency, energy ministry on OPEC, Kremlin aide on plan to rescue real estate, retailers)

MOSCOW, Oct 21 (Reuters) - Russia must be cautious in using its foreign exchange reserves, which have already fallen by a tenth in the last few months, and the emphasis should be put on supporting the rouble, Finance Minister Alexei Kudrin said on Tuesday. The reserves, the world's third largest, are now at \$530.6 billion, down \$66.9 billion since early August. Credit rating agencies have said Russia's reserves are a key factor in its investment grade rating.

The call on the cash pile is rising because Russia has to support its currency, fund high social spending and finance a \$210 billion financial system rescue plan, a tough task as oil prices are tumbling.

"We need to be careful when we use this (reserves) stabilising influence," Kudrin told fellow finance ministers from former Soviet states. "Gold and forex reserves allow us to guarantee the currency rate stability," he said. "Currency market speculators will be disappointed."

Reserves have fallen mostly because of heavy intervention by the central bank in the past few months. It has managed to keep the rouble stable against the dollar/euro basket at around 30.40.

But as ordinary Russians track their savings through the dollar rate, officials have had to intervene almost daily to persuade the population that the rouble will not weaken. "No rouble devaluation is planned," Kudrin's deputy Sergei Shatalov said in the Armenian capital of Yerevan, where he was travelling with President Dmitry Medvedev.

Also in Yerevan, Russian Energy Ministry Sergei Shmatko said Moscow would cooperate with OPEC but would not join oil output cuts despite calls from the producers' organisation to help it support flagging oil prices. "We want to have the possibility of having fairly independent policies," he told Reuters.

Russia needs high oil prices as badly as OPEC members as its budget is balanced at \$70 per barrel for this year and at \$95 for next year. This compares with \$64.5 for its Urals crude on Tuesday.

## BIG REFINANCING DEMAND

A broadly strong dollar rose against the rouble <RUB=> to 26.57, its highest level since February 2007, while exchange rates on the streets of Moscow were as high as 28.

Traders estimated the central bank's currency sales at around \$2 billion on Tuesday after no interventions on Monday and interventions of \$4-\$5 billion per day last week.

The reserves are poised to fall by a total of \$74 billion in the next few weeks. Russia has earmarked \$50 billion to help its companies refinance

foreign loans, another \$6.7 billion to buy local stocks and \$17.3 billion in subordinated loans for the country's largest banks.

The money will mainly flow via the state agent, Development Bank, known in Russian as VEB. Its head, Vladimir Dmitriyev, said on Tuesday it had already received \$97 billion in refinancing applications.

Russian companies have borrowed aggressively abroad to fund growth and acquisitions in the past few years and are now struggling to refinance loans as capital markets are shut.

"Banks have applied for twice as much as companies -- \$64 billion from the banks and \$33 billion from companies," Dmitriyev told reporters, adding that the first 10 applications would be cleared in the near future.

He also said the bank may start investing state funds in the stock market this week.

Top Kremlin aide Arkady Dvorkovich said the government was working on a new rescue package for the real estate and retail sectors, one of the most leveraged Russian industries. The state could go as far as to buy unfinished buildings, but he did not say how much money could be spent.

The idea to support developers is unlikely to please Kudrin, who warned finance chiefs of ex-Soviet republics that they would be affected by a slowdown in Russia's construction industry, which employs migrants from all over the region.

"The industry is overheated and will suffer a decline in demand, and many who only just started their projects feel it already," Kudrin said. (Additional reporting by Denis Dyomkin and Andrei Ostroukh, Writing by Dmitry Zhdannikov; editing by David Stamp)

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