

Russia dumps US dollar as basic reserve currency

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The US dollar is no longer Russia's basic reserve currency. The euro-based share of reserve assets of Russia's Central Bank increased to 47.5 percent as of January 1, 2009 and exceeded the investments in dollar assets, which made up 41.5 percent, the *Vedomosti* newspaper reported.



As a result of Euro based increases the dollar has lost its status as basic reserve currency for the Russian Central Bank. Percentages and differences were confirmed in the Bank's annual report, a copy of which is provided to the State Duma.

According to the report, 47.5 percent of the Russian Central Bank's currency assets are now based on the Euro, whereas dollar-based assets made up only 41.5 percent at the beginning of the financial year. This result is in contrast to the previous year's figures indicating that 47 percent of reserve currency assets were in dollars; Euro reserves at the time approximated 42 percent.

The Euro share has increased to 49 percent and remained so as of October 1; the dollar share fell to 40 percent in the same period. The British pound, Japanese yen and Swiss franc shared the remaining percentage.

Central Bank currency assets had increased to \$537.6 billion by October 2008. The drop of \$133 billion occurred within the later three month period.

The report also indicated reserve currency assets had fallen by \$56.6 billion. The decline resulted from Central Bank currency purchases to stem losses resulting from speculation and runs on the local currency.

The majority of Russian companies, banks and most of the Russian population began purchasing enormous amounts in foreign currency at the end of 2008. The dollar gained 16 percent and the euro 13.5 percent over the fourth quarter. Demand for the US dollar was extremely high and the Central Bank was forced to spend a large part of its dollar assets, experts say.

The change in the structure of the currency portfolio of the Bank of Russia has not affected the official peg of the dual currency basket, which includes \$0.55 and 0.45 EUR.

The investments of the Bank of Russia in State securities of foreign issuers have been considerably

increased, the report said. About a third of Russia's international reserves are based on US Treasury bonds.

Russia became one of the largest creditors of the US administration last year, the US Department of the Treasury said. Russia increased its investments in the debt securities of the US Treasury from \$32.7 billion as of December 2007 to \$116.4 billion as of December 2008.

[Edited version.]

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