



Written by [Angeline Tan](#) on August 18, 2023

Russia Announces Major Interest-rate Hikes, Increases Nuclear Supplies to “Friendly” States

Russia’s central bank made a big interest-rate hike Tuesday, an emergency move meant to tackle inflation and boost the value of the ruble after the country’s [currency hit a record low](#) since the outbreak of the Russo-Ukrainian conflict in 2022.

Since the start of the year, the ruble has forfeited more than a third of its value as Moscow ramps up its military expenditure and Western sanctions weigh on its [income from energy shipments](#). The depreciating ruble does not imply, however, that Russia’s economy is collapsing entirely, notwithstanding several challenges such as soaring prices.



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After the central bank increased the key interest rate to 12 percent, the ruble strengthened to 93 vis-à-vis the U.S. dollar and to 101 against the euro for the first time since August 1.

Market players linked the ruble’s rebound to the news that the Russian authorities will supposedly not enforce more stringent capital controls to curb the ruble’s fall. Moreover, economists attributed the ruble’s depreciation to the low volume of foreign-exchange revenue.

The media outlet Vedomosti reported that a decision was made to postpone increasing capital controls for the time being in exchange for concessions from exporters. The Cabinet of Ministers has allegedly inked an informal agreement with the country’s leading exporters whereby the latter pledged to increase sales of their foreign-currency revenues.

Based on the same report, Russian President Vladimir Putin talked about the possibility of tighter rules on sales of foreign-currency proceeds at a meeting with Bank of Russia Governor Elvira Nabiullina, Finance Minister Anton Siluanov, and other senior officials.

During the talks, it was announced that the Russian Cabinet of Ministers had inked an informal agreement with key Russian exporters whereby the latter promised to increase the sale of their forex earnings. Thus, the Russian authorities decided to keep a tab on exporters at the moment rather than increasing stricter capital controls.

However, the sources cautioned that a compulsory sales of export proceeds will become inevitable if exporters renege on their promises.

In 2022, Russian authorities imposed tight controls on capital movement after the ruble collapsed to record lows owing to Western sanctions. Control measures included the mandatory sale of 80 percent of forex earnings to back the ruble up. Exporters had to sell foreign currency credited to their accounts with authorized banks in the amount decided by a presidential decree. After the economy adapted to functioning under sanctions and the ruble made a comeback, the Bank of Russia abandoned capital



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controls.

Since early June, the ruble has been depreciating against the dollar, when it was trading at around 80-81 to the greenback.

Meanwhile, Russia's state-owned atomic energy corporation Rosatom has significantly increased nuclear fuel and equipment deliveries to "friendly" countries, the company's Director General Aleksey Likhachev told Putin on Monday.

"We maintained and even slightly increased supplies to all our [recipient] countries, but deliveries to friendly states are growing especially noticeable. These are Asian countries, particularly China, as well as the Middle East and Africa," Likhachev said.

He pointed out that the company witnessed "up to 60-70% growth in various types of NFC-related supplies there," alluding to uranium mining and disposal of radioactive waste.

Moreover, Putin singled out the fact that in spite of Western pressure, client states "are behaving responsibly, because changing a supplier is technologically very difficult."

The Rosatom chief agreed, stating that pro-Moscow states are under "enormous pressure" both politically and economically.

Likhachev also informed Putin that Rosatom does not envision "special prospects for growth in the European market ... not only because there is an unfriendly attitude towards us, but because there is simply no growth potential there," he said.

Nuclear power does not fall under EU embargoes against Moscow, and some of the bloc's member states and the European Commission have unsuccessfully tried to target Rosatom executives because of vehement objections from Hungary and to a lesser degree France. The Hungarian government has been in favor of the expansion of the vital Rosatom-built Paks nuclear power plant and has consistently cautioned it would dismiss any attempts to enforce limitations on Russia's nuclear sector.

On August 18, Russian local authorities and the Defense Ministry confirmed that Ukraine once again targeted the Russian capital's business district, with at least one drone intercepted and downed near the high-rises of Moscow City.

"Tonight, air defense forces destroyed a drone during an attempted attack on Moscow. The wreckage of the UAV fell in the area of the Expo Center, with no significant damage caused to the building," Mayor Sergey Sobyenin said on Telegram at 4:20 a.m., alluding to a major convention venue in the vicinity where the city's tallest skyscrapers are situated.

The Russian Defense Ministry stated that the drone was intercepted at around 4:00 a.m., leading to it steering off course and crashing into a "non-residential complex" in the business district.

There were no immediate reports of casualties or injuries, but "emergency services are working at the scene," based on reports by the authorities.

All flights to and from Vnukovo Airport in southwestern Moscow were briefly suspended as a precaution.

In recent weeks, Ukraine has increased efforts to assault Moscow with drone strikes, albeit mostly unsuccessfully.

On August 17, two Black Sea Fleet vessels sabotaged an attempted attack by a Ukrainian maritime



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drone, the Russian Defense Ministry said.

“Today at 22.55, the armed forces of Ukraine made an unsuccessful attempt to attack the ships of the Black Sea Fleet, performing the tasks of controlling navigation in the southwestern part of the Black Sea, 237 km southwest of Sevastopol,” the Russian military said.

In late July, referring to the repeated Ukrainian drone raids on Moscow, Kremlin Press Secretary Dmitry Peskov said they appeared like “acts of desperation,” which, he claimed, were attributable to Kyiv’s failure to overcome Russian lines during its counteroffensive. The Russian Defense Ministry has claimed that Ukraine has lost more than 43,000 service members and almost 5,000 pieces of military equipment since the beginning of the counteroffensive in early June.



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