

Russia Trails Brazil In Investor Interest

By [The Moscow Times](#)

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Brazil is currently "fashionable" for investors while Russia is not, limiting the Finance Ministry's ability to borrow abroad, a deputy chief executive at Sberbank, Russia's biggest bank by assets, said Wednesday.

While investor sentiment "lowers volatility on our market," it should also be taken into account for budget planning, Sberbank deputy head Bella Zlatkis told a conference in Moscow. The fiscal deficit is the main "sore spot" of the country's macroeconomic outlook, Sergei Vasilyev, a deputy chairman of Vneshekonombank, said at the same event.

"Borrowing will grow and sovereign debt will grow," Vasilyev said. As sovereign debt increases, so will investors' skepticism, he said.

The ruble has lost about 0.3 percent since June 30, making it the second-worst performer among the 25 emerging market currencies tracked by Bloomberg. Net purchases of Russian debt dropped by 7 percent since the end of August compared with 0.2 percent in Brazil, amid a record \$47 billion of inflows into developing nations this year, data compiled by U.S. research

firm EPFR Global show.

The extra yield investors demand to hold Russian government bonds rather than U.S. Treasuries fell 1 basis point Wednesday to 214, according to JPMorgan EMBI+ indexes. The difference compares with 190 for Brazil, which is rated two steps lower at Baa3 by Moody's.

Russia's budget is expected to remain in deficit through 2014, forcing the government to step up borrowing. The government in April sold its first foreign-currency bond since defaulting on \$40 billion of domestic debt in August 1998, with an offer of \$5.5 billion of five-year and 10-year dollar notes.

Russia also plans its first overseas sale of ruble debt this year. The government may borrow as much as \$7 billion annually in 2011 and 2012 on international markets, according to a draft budget published on the Finance Ministry's web site.

Even so, the country's level of indebtedness remains one of the lowest among major economies. State debt may reach about 11 percent of gross domestic product by year-end from 10.5 percent at present, Finance Minister Alexei Kudrin said Oct. 5.

Brazilian Finance Minister Guido Mantega said Nov. 15 that President-elect Dilma Rousseff, who takes office Jan. 1, would seek to reduce net debt to about 30 percent of GDP from 41 percent now.

Investments into Russia-focused funds reached \$157 million in the seven days through Nov. 10, surpassing Brazil, India and Turkey for a third straight week, UralSib said Friday, citing EPFR data.

Russia's foreign sovereign debt was little changed last month, falling by \$1.7 million to \$40.9 billion as of Nov. 1, according to a statement on the Finance Ministry's web site.

Sberbank plans to borrow from \$2 billion to \$4 billion on international markets next year, Zlatkis told reporters.

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