

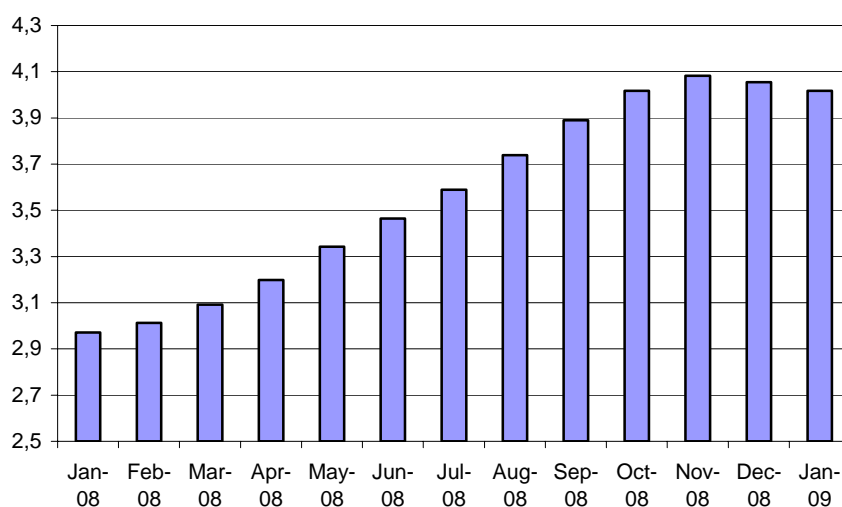
## RUSSIAN BORROWERS IN ARREARS FOR THREE MONTHS AHEAD

BY GALINA KOVALISHINA, HEAD OF THE CORPORATE FINANCE DEPARTMENT,  
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The government suggests expense reduction (for both the state and individuals) as an efficient strategy to survive the crisis. At this stage, it seems the best way to overcome financial difficulties. However, 'easier said than done' is the phrase to describe the prospects of the state-promoted strategy. This concerns both state authorities that have certain liabilities to citizens and the population that has been tending to consume increasingly more so that their spending grows faster than their earnings. If the trend continues, it will make the recession worse. One of the things that caused the current economic crisis (in the US, first of all) was debt-financed consumption. The government stimulated consumption to keep domestic demand at a high level. Now we face the outcomes of that policy.

Russia has also seen an increase in consumer lending. Whether that was a consumption boom or an attempt to set equilibrium after the period of low liabilities is a topic for a specific research. What is important is to figure out how the crisis has influenced the population's behavior. According to statistics, Russians tended to borrow more in 2008, and in early 2009 their debts to banks totaled four trillion rubles (see the picture).

**Figure 1. Personal loans, trillion rubles**



Source: the Bank of Russia

There were around 75.6 million economically active citizens in Russia as of March 1, 2009 – so there are around 53,000 rubles (or around \$1,500) of debt per each person having an income (social allowances and donations are not taken into account). Wages in Russia averaged 17226.3 rubles in December 2008; it means that every Russian can repay the average debt within three months, provided he gives away the entire wage.

Obviously, in the near future the Russian economy will not reach the growth rate it used to see in the past years. Personal incomes will not grow as fast as they used to, so it will be harder for banks to keep their margin at the pre-crisis level.

Some banks will have to review their expenses, some will raise the quality of risk management. Otherwise, the debt burden will lead to yet more serious problems.