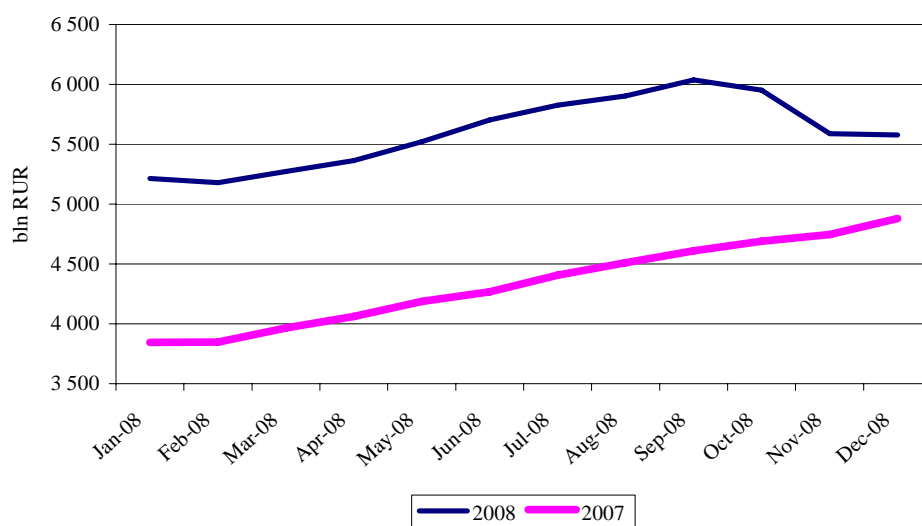


DEPOSITORS vs. MARKET: WHO WINS?

BY G. KOVALISHINA, IFS SENIOR ANALYST, JANUARY 14, 2009

Some six months ago, Russians stayed absolutely cool-headed amid the global financial market turmoil and trusted in the ‘stability island’ where they invested their money. Eventually, the crisis hit the ‘island’, and anxious Russian depositors set out to search for ways to handle their savings. In early autumn, personal deposits began to flatten. Although there was no panic, monetary authorities and banks were convulsed by the decline. Part of depositors preferred to keep their money in cash, despite it was depreciating. However, not all depositors withdrew their money from banks, because banks took measures to preserve their customers and even reach out for new clients. Credit institutions allowed their customers to convert deposited funds from one currency into another. With the ruble plunging, this decision was a very timely one and helped to halt a decline of deposits (see Diagram 1). As a result, at the end of 2008 personal deposits exceeded those in early 2008 by 7% (compare: in 2007 this parameter was 27%).

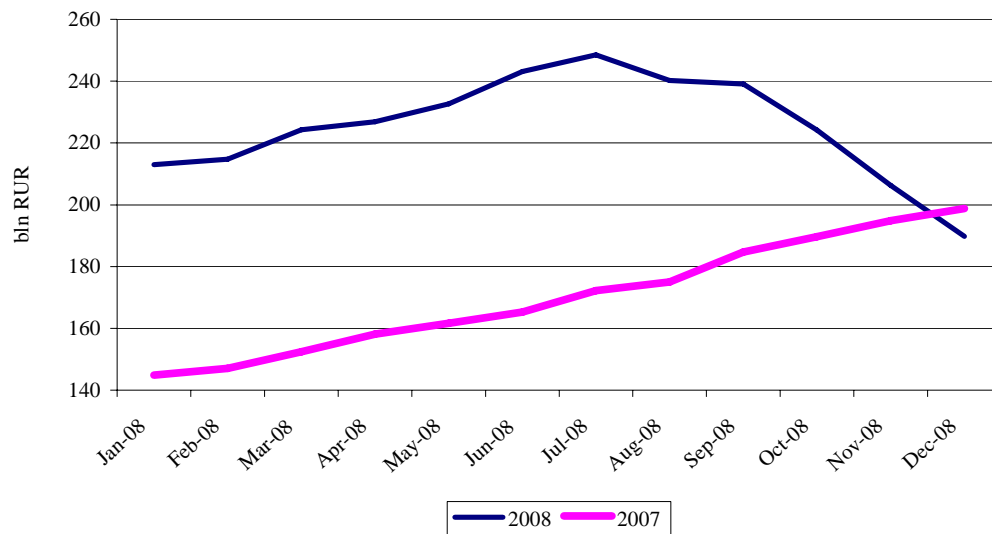
Diagram 1. Personal deposits growth, billion rubles



Source: Bank of Russia

At the same time, if we look at the dynamics of personal deposits if converted to dollars (see Diagram 2), we will see that their growth rate fell 11% within a year (in 2007, the growth totaled 37%).

Diagram 2. Personal deposits growth, billion dollars



Source: Bank of Russia

The drop in deposits expressed in the foreign currency has been caused by early withdrawals and depreciation of ruble savings that had not been converted into different currencies. The crisis encouraged Russians to decide how to handle their savings depending on the market situation, which is really good. The share of ‘thinking’ investors is not large yet, but such depositors do exist and their number is likely to grow as the domestic financial market will progress. If people put more thought into managing their money, they will suffer fewer losses. According to John D. Rockefeller (who proved his statements with his deeds, as we all know), “Your well-being depends on your own decisions”.