

VTB Chief Maintains U.S. 'Nearly Bankrupt'

By [The Moscow Times](#)

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Andrei Kostin, chief executive officer of VTB Group, said the United States is "nearly bankrupt," roiling the financial industry and stifling credit flows.

"The constant threat of a financial crisis and defaults hangs over the financial banking sector, and on the whole, the overall situation on the global market remains very complicated," Kostin said at a conference in St. Petersburg on Thursday. "We see that the United States is nearly bankrupt."

Standard & Poor's last month lowered the outlook on the U.S.'s AAA rating to "negative" and said the government risks losing its top rating unless policymakers agree on a plan by 2013 to reduce deficits and the national debt.

Central Bank Chairman Sergei Ignatyev said Thursday that he doesn't think U.S. lawmakers could avoid lifting the country's \$14.3 trillion debt ceiling. The U.S. Treasury Department has

said Congress must raise the limit by Aug. 2 to avoid the government defaulting on its loans.

"I don't see how the U.S. could let that happen," Ignatyev said. "They will have to agree" to raise the limit, he said. "We are following the situation in the U.S. and other countries, including on debt."

Greece, Portugal and Spain are "like Icelandic volcanoes — one moment they are erupting, the next they die down," Kostin said. "There's still a lot of instability."

The main risk facing Russia's financial industry is the low capitalization of banks, Kostin said.

"There's no way to get away from the task of consolidating the banking sector," he said. "I would add that from the point of view of attracting capital and better transparency — banks should be nudged to start placing shares on exchanges."

Kostin also called for more oversight and stiffer penalties for bank management found responsible for asset stripping. "If things are out of control in the country, then who is going to invest?" he said. "There needs to be more severity and consistency in our decisions so that these things don't remain unpunished."

At the same conference Ignatyev said capital outflow from Russia reached \$30 billion in the first four months of this year, and that the Central Bank is maintaining its full-year inflation forecast of 6 percent to 7 percent.

Lowering inflation is the main priority of the bank's monetary policy, Ignatyev said. The regulator is "very cautious" in raising interest rates to "avoid hurting economic growth," he said.

Cumulative consumer-price growth reached 4.6 percent as of May 23, compared with 3.8 percent during the same period last year, and won't exceed 5.5 percent in the first six months, Ignatyev said. The rate won't be more than 1.5 percent in the second half as long as the harvest is "normal," he said.

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Central Bank Chairman Sergei Ignatyev said he wants to keep his seat on Sberbank's supervisory board, citing his "personal responsibility" for Russia's biggest lender, Reuters reported Thursday.

His comments refer to an order by President Dmitry Medvedev to remove government ministers from boards of state firms to improve Russia's investment climate. The order did not affect the Central Bank's representatives on Sberbank's supervisory board, where Ignatyev is a chairman, as they are not cabinet members.

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