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Citigroup Bemoans Liquidity

By The Moscow Times

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Citigroup Russia sees a tightening of liquidity in the domestic banking sector, according to the lender's consumer-banking head.

"There is a very distinct and clear tightening of liquidity in this market right now, which is why we have seen deposit rates go up and you have seen wholesale funding drying up," Citigroup's Amit Sah said in an interview in Moscow last week.

The Central Bank left the refinancing rate at 8.25 percent on Nov. 25 after two increases this year. Tighter lending conditions and a liquidity shortfall will likely "remain for the medium term," the bank said.

Russian units of foreign banks, including UniCredit, have started lending excess cash to their parents since the middle of the year amid the euro region's turmoil, using "Central Bank liquidity" and funds from their Russian operations, Deputy Economy Minister Andrei Klepach said Oct. 27.

Citigroup, which set up its retail entity in Moscow in 1993, doesn't have funding pressure from its parent bank, Sah said. The bank is likely to raise rates soon in line with interest rates, he added, without providing further details.

(Bloomberg)

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