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Central Bank Feels Pressure Of Loans

By The Moscow Times

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Oil producer Gazprom Neft and telecoms operator Rostelecom announced loans from domestic lenders Friday, adding to pressure on the Central Bank to inject liquidity into the market.

Companies are increasingly turning to local banks as Western European lenders, hurt by the euro-zone sovereign debt crisis, pull out of Russia to focus on their home markets.

Russian lenders are pressing the Central Bank to consider making an additional liquidity injection to the market to help meet the extra demand.

Gazprom Neft, the oil arm of Gazprom, said it planned to open two credit lines at Sberbank worth a total of 22.5 billion rubles ($744 million).

The move, to be approved at upcoming meetings of its board, will help refinance outstanding debt.

State-controlled Rostelecom said Friday that its board approved raising a credit line worth 15 billion rubles from VTB.

"Local companies have increased borrowings from domestic lenders in the second half of 2011 as foreign debt markets were closing step-by-step," said Olga Belenkaya, an analyst at Sovlink.

Rosneft said this month that it might borrow up to 40.5 billion rubles from Gazprombank.

Both Gazprom Neft and Rosneft were previously considering raising funds abroad, bankers have said. Gazprom Neft was in the market for a $1.5 billion loan in October, while Rosneft was seeking up to $2 billion earlier this year.

Gazprom Neft, which combined with Rosneft's crude production accounts for about a third of overall oil output in Russia, did not comment on whether it would obtain that loan or postpone the deal until borrowing costs improve.

Russian banks are struggling to find funds to continue normal operations, warning that a lack of cheap money will curb lending activity.

Standard & Poor's ratings agency warned last week that most local banks "will not be able to generate enough internal capital to support expected asset growth throughout 2012."

Andrei Kostin, chief executive of VTB, told the Financial Times last week that without a fresh supply of cheap money from the Central Bank, the bank would struggle to hit lending growth targets.

His comments echoed those by chief executive of his top rival, Sberbank's German Gref, made a week before.

"The problem of long-funding deficit is an acute problem for everyone. ... Probably, it is one of the issues we need to solve together with the government," Gref told reporters.

Both Sberbank and VTB expect to increase lending by 20 percent or a little higher in 2012, in the middle of the Central Bank's forecast of 20 percent to 25 percent growth for the banking system as a whole.

But Sovlink analyst Belenkaya thinks there is little chance that the Central Bank will add liquidity, as it may fuel inflation and encourage banks to lend to more risky borrowers.

"I doubt that it is realistic [that the Central Bank will add liquidity] because in fact it is the same as printing money, which creates inflationary risks," she said.

During the 2008-09 global financial crisis, the government pumped money into VTB and Sberbank, among others, to prevent a collapse of the domestic financial system.

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