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Ulyukayev Lauds Loans Auctions

By The Moscow Times

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Economic Development Minister Alexei Ulyukayev said Tuesday that the Central Bank's decision to launch auctions for loans secured against non-market assets and guarantees is a more effective way to boost economic growth than cutting key interest rates.

"I think it was an absolutely right decision. This is a form of quantitative easing, which is more efficient right now than easing of policy by lowering interest rates," Ulyukayev, who was appointed minister after being passed over for the top Central Bank job, told journalists.

Russia's Central Bank is under pressure to ensure the flow of more affordable credit to the real economy. Russia's economy grew at the slowest pace in four years in the first quarter, but is expected to pick up in the second half of the year.

On Friday, the Central Bank introduced a new mechanism for one-year bank funding to boost lending, while keeping interest rates on hold.

It announced the launch of auctions for loans secured against non-market assets

and guarantees for 12 months with a floating rate initially set at 5.75 percent, determined as a spread of 0.25 percent over the minimum repo rate. The first auction is due on July 29, with 500 billion rubles ($15.3 billion) on offer.

"The ability to borrow at the new facility will put downward pressure on banks' deposit and lending rates," VTB Capital analysts said in a note.

"The total effect could easily reach 100 basis points, thus providing a well-needed stimulus for the economy".

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