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Economic Downturn Forces State-Run Firms to Consider Dividend Cut

By The Moscow Times

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Russia's government may allow state-controlled companies to cut their dividend payments by calculating them according to Russian accounting standards rather than international standards to help weather an economic downturn, Vedomosti reported Wednesday.

The newspaper, citing sources familiar with a draft proposal, said the State Property Agency and Economic Development Ministry would allow the companies to revert to old accounting ways, seen as less transparent than international reporting standards.

That could reduce the cost of paying dividends for last year owed to the state and minority shareholders, helping the companies to combat a weakening economy hurt by the impact of the worst East-West standoff since the Cold War over Ukraine.

The World Bank has said growth may fall 1.8 percent this year in its worst-case scenario.

Vedomosti said the government would decide this month or next.

Currently, state companies should distribute a minimum of 25 percent of their profits under Russian accounts in dividends. Under international standards, the level would increase to 35 percent.

Vedomosti quoted one source as saying that some companies would be allowed to pay less than 25 percent of net income because of worse-than-expected results.

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