

# Russians Pull \$5 Billion Out of Banks as Ruble Plummets

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Rising inflation and dwindling trusts in banks following the Central Bank's revocation of multiple bank licenses have encouraged the populace to cash out their ruble deposits.

Russians pulled 52.6 billion rubles (\$1.3 billion) out of ruble deposits in September as Moscow battled to keep its currency afloat amid plummeting oil prices, high capital outflows and Western sanctions over the Ukraine crisis, business daily Vedomosti reported Tuesday, citing data from the Central Bank.

While hard currency deposits grew 2.4 percent in September in ruble terms, this was thanks to the rise of the dollar and euro relative to the ruble rather than an increase in deposits.

In fact, the dollar-euro basket against which the Central Bank measures the ruble's nominal exchange rate rose 4.5 percent against the ruble in September, or significantly more than the apparent increase in hard currency deposits, indicating that Russians took money out of these deposits as well as ruble ones.

Counting withdrawals from both ruble and hard currency personal deposits, Russia's banking system lost a total of 200 billion rubles (\$4.9 billion) in September, ratings agency Fitch told Vedomosti.

Analysts have blamed the 0.4 percent dip in ruble deposits, the first decrease since March's drop of 2.2 percent, on the falling ruble. Russia's ruble slide began early in the year and was exacerbated by political tensions following Russia's annexation of Ukraine's Crimean Peninsula. The ruble hit 40 to the dollar early this month after oil prices, a key source of revenue for Moscow, began to fall. This storm of factors has hacked at faith in the ruble, with state estimates putting capital flight at \$120 billion this year.

Putting even more pressure on the downtrodden ruble, Western sanctions over the crisis in Ukraine have prevented major state-owned companies from rolling over billions of dollars in debt to foreign banks. These companies are now being forced to buy up hard currency in order to pay off the loans.

And as the ruble slumps, account holders in Russian banks act much the same way as larger players do — they turn their ruble holdings into more reliable investments.

Rubles withdrawn from bank accounts are converted into hard currencies or used to buy imported goods and real estate, an analyst from Fitch told Vedomosti. Others said that rising inflation and dwindling trusts in banks following the Central Bank's revocation of multiple bank licenses have encouraged the populace to cash out their ruble deposits.

While the current situation is still far from the crisis of 1998, if Russians were to panic and pull all their money out of the system, as they did then, their actions would weigh heavily on the ruble and the Central Bank's reserves.

Households currently hold a total of about 1.6 trillion rubles (\$40 billion) in bank accounts, according to Sergei Pukhov, an economist at the Higher School of Economics.

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