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Russian Finance Minister Says Investment Downgrade Had Political Motivation

By The Moscow Times

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A woman waits before inserting a 50-ruble banknote into an ATM bank machine at a branch of Sberbank in Krasnoyarsk, Siberia, Jan. 27, 2015

Moody's Investors Service's downgrade of Russia's sovereign rating was based on "factors of a political character," Russian Finance Minister Anton Siluanov said Saturday following news that the credit ratings agency had cut the rating to below investment grade.

Siluanov also said that the downgrade was based on "unrealistic" forecasts with "no analogies," as the agency had made pessimistic assumptions that went well beyond forecasts by the IMF, World Bank and international banks.

"I consider the evaluation of Moody's not simply extremely negative, but based on extremely pessimistic forecasts that have no analogies today," he said.

Moody's downgraded Russia's sovereign rating to Ba1 from Baa3, citing the impact from the Ukraine crisis as well as the steep fall in oil prices and the ruble exchange rate.

Russian officials have repeatedly cast doubt upon the impartiality of major ratings agencies following recent downgrades of Russian ratings, describing their motives as political in reference to the East-West confrontation over Ukraine.

"I suppose that in taking the decision about lowering the rating, the agency was led first of all by factors of a political character," Siluanov said.

The decision "didn't take into account a whole range of positive factors, characterizing the strong sides of the Russian economy and its financial system," he added, citing the country's large international reserves, low debt and a current account surplus.

The finance minister also said the downgrade would not have a serious additional impact on the capital market as Russia's local currency rating from two other major agencies remains at the investment-grade level of BBB-.

Local treasury bonds are currently seen by Russia as the only source of borrowing, Siluanov added.

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