

# Russian Bank Lending Drops 60 Percent as Crisis Paralyzes System

By [The Moscow Times](#)

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The number of loans issued in Russia in the first quarter of this year fell by 58 percent compared to the same period in 2014, as the devaluation of the ruble, Western sanctions and sky-high interest rates hit the banking system, a report showed Tuesday.

The tide is now slowly beginning to turn as the economy recovers from the perfect storm that hit Russian banks in December, when the Central Bank hiked its key interest rate to 17 percent to halt a precipitous fall in the value of the Russian currency, the United Credit Bureau (UCB) said in a statement.

Thirty percent more loans were granted in February than in January, and the number of loans issued rose another 19 percent in March compared to February, UCB chief Daniel Zelensky said in the statement.

"We associate this first of all with the Central Bank's consistent policy of lowering the key interest rate, as well as the launch of a state program in support of retail lending," Zelensky said.

The ruble stabilized and began to strengthen in February, allowing the Central Bank to bring down its key rate and thereby lower the cost of borrowing across the economy.

UCB expects lending activity to continue to rise thanks to the Central Bank's decision last week to further lower the rate from 14 percent to 12.5 percent, Zelensky said.

The banking system is still struggling with the impact of Western sanctions over Ukraine, which restrict major state-owned lenders' access to international capital markets.

All told, Russian banks gave out about 2.8 million loans worth 384 billion rubles (\$7.6 billion) in the first quarter, down from 6.6 million loans totaling more than 1 trillion rubles (\$19.8 billion) in the same period last year, UCB said.

The number of loans granted decreased across all categories, but the worst hit were auto loans and credit cards, which both plummeted by 80 percent. The number of cash loans fell by 48 percent, while the number of mortgages granted dropped by 43 percent.

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