The Moscow Times
30 YEARS
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Russian Central Bank Says Period of Stagnation Is Over

November 14, 2016



The period of stagnation is ending and the Russian banking system is once again beginning to generate profits normally, the Russian Central Bank stated today.

"The dynamic of the banking system is positive, it has already passed the most difficult phase, and the period of stagnation is ending," Deputy Central Bank Director Vasily Pozdyshev said.

According to Pozdyshev, the Russian banking system passed through the "risk crisis" in spring and summer of this year. Banks now says risks are significantly lower than in the last few years. Arrears on loans to legal entities stand at 3 billion rubles ($45.9 million), a slightly higher sum than on Jan. 1, but the figure has now fallen for the second month running.

"In September, it was -4 percent, and in October it is still almost -1 percent," Pozdyshev said.

Profit generation in the banking system has also improved: During the previous 10 months,

banks have earned 714 billion rubles ($10.9 billion) in profit.

“This tells us that the banking system has entered the normal regime of profit generation and margins,” Pozdyshev said.

On Nov. 14, Central Bank Director Elvira Nabiullina stated that the Russian economy was beginning a transition to a new model of growth. Due to the significant decline in oil prices, the economy needs new and different growth factors, she said.

“The previous model which based upon exporting raw materials and stimulating consumption, including through consumer lending, has been exhausted,” Nabiullina added. As a result, “economic recovery may be drawn out over time.”

Nevertheless, she said, the Central Bank has noted signs of economic recovery and already expects a slight growth in GDP next year.

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