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Moody's Says Russian Economy Resilient to Latest U.S. Sanctions

By Reuters

April 19, 2018

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Rating agency Moody's Investors Service said on Wednesday Russia's strong public and external finances would shield its economy from the impact of the latest U.S. sanctions.

However, the sanctions will be credit negative for some Russian debt issuers, especially Russian aluminum giant United Company Rusal Plc, Moody's said in a report.

The Russian banking system has enough earnings capacity for absorbing credit losses arising from exposures to sanctioned companies, the rating agency said.

Moody's assessment is in contrast to that of Fitch Ratings, which said last week the U.S. sanctions would limit Russia's potential economic growth and severely impact targeted companies.

The U.S. Treasury imposed sanctions earlier this month on seven Russian oligarchs and 12

companies they own or control, as well as 17 senior Russian government officials. Moscow calls these sanctions unlawful and has warned retaliation.

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"Russia's sovereign credit profile -- its rating is Ba1 with a positive outlook -- is well positioned to withstand the impact of new sanctions," said Kristin Lindow, a Moody's Senior Vice President and co-author of the report.

"Higher oil prices will help the government to make further progress in rebuilding its fiscal savings."

The risk to Russia's credit profile comes from the possibility of Russian entities being cut off from the international capital market for some time, Moody's noted.

Moody's expects the Russian government to increase support to regions facing a fall in revenues due to the sanctions.

Washington cites Russia's 2014 annexation of Crimea from Ukraine, involvement in the Syrian civil war and alleged meddling in the 2016 U.S. presidential election for the sanctions.

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