

Russia's Consumer Debt Still Growing, but Bubble Fears Easing

New statistics show the Central Bank's fight against a consumer debt bubble is starting to have an effect.

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The stock of outstanding consumer loans grew by 18.5% in 2019. **Valery Matytsin / TASS**

Russian households took on an extra 2.7 trillion rubles (\$44 billion) of debt last year, even as regulators' concerns over a consumer debt [bubble](#) led to the introduction of stricter lending criteria.

That growth took the stock of outstanding consumer debt in Russia to a total of 17.6 trillion rubles (\$280 billion) at the end of 2019, statistics agency Rosstat said Tuesday.

Despite the annual increase of almost 20%, analysts highlighted this was slower than rates recorded a year ago, before Russia's Central Bank stepped in to try to cool the market with new regulations. Those [measures](#) included making it more expensive for banks to lend to riskier customers, and limiting the daily interest rates on ultra-short-term loans.

The Central Bank's efforts appear to be bearing fruit, said Mikhail Shlemov, a banking analyst at VTB capital, despite working against market conditions. Falling interest rates have made loans more affordable, and with consumer spending increasing faster than real incomes, demand for loans in Russia has remained high. Last year's double-digit growth in outstanding debt came despite only around a third of applications for unsecured loans being [approved](#).

Much of the slowdown in borrowing came in the final quarter of the year, after the Central Bank's strictest criteria came into force. Loans grew by just 1% in December, for instance, and fewer borrowers appear to be getting into repayment issues, with the value of overdue loans standing at 4.3%, compared to 5% one year ago.

"We think this trend will continue in 2020, with the Central Bank discussing more regulatory tightening and now targeting mortgages, housing and car loans," said Shlemov. "However, nominal growth is to remain above 10% annually, in our view."

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