The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Moody’s Declares Russia in Default

June 28, 2022



Sergei Kiselev / Moskva News Agency

Moody's ratings agency has confirmed that Russia defaulted on foreign debt for the first time in a century after bondholders did not receive $100 million in interest payments.

“Missed coupon payment constitutes a default,” Moody’s said in a statement late Monday.

Bloomberg had earlier reported that Russia has defaulted on its foreign debt after the expiration of the grace period on about $100 million in interest Sunday evening, in what would mark its first such default since the Bolshevik revolution in 1918.

The Kremlin dismissed reports that it defaulted on its external debt Monday, saying the payment had been made in foreign currency in May.

“The fact that the funds have not been transferred to the recipients is not our problem,” Kremlin spokesman Dmitry Peskov told reporters.

Related article: Russia Denies Defaulting on Foreign Debt

Moody’s analysts forecast that Russia would default on more foreign debt.

"Further defaults on future coupon payments are likely," Moody's said in the statement.

On Tuesday, noting that Moody's no longer covers Russia, Peskov said: "Does this mean that Moody's restarted the ratings process? The agency must surely explain itself."

Rating agencies — which withdrew from Russia after it invaded Ukraine — or courts are the entities that typically declare default in Western financial markets, according to the Associated Press.

Analysts told the news agency they see little short-term impact on the Russian economy, which continues to be powered by energy exports despite crushing Western sanctions.

And although its ripple effect could be more limited than in 1998, when Russia suffered a default on public and private debt during an economic collapse, the pressure on investors to make less risky moves on the global debt market could lead other emerging economies to declare defaults.

Longer-term, it would take years for Russia to start borrowing internationally again after being declared in default, the AP said.

Russia’s default is largely described as a symptom of its isolation from the global financial system and disrupted international trade and financial ties as a result of Western sanctions for its invasion of Ukraine.

AFP contributed reporting.

Original url: https://www.themoscowtimes.com/2022/06/28/moodys-declares-russia-in-default-a78127