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Russians' Cash Savings Reach All-Time Low – VTB

December 04, 2024



Sergei Bulkin / TASS

Russians' cash savings have reached an all-time low of 15.9 trillion rubles ($152.15 billion) so far this year due to high interest rates, the country's second-largest bank VTB said Wednesday.

"According to our estimates, the share of cash rubles in savings and investments, excluding pension and insurance products, is currently about 15%, or about 15.9 trillion rubles," VTB's deputy chairman of the board Georgy Gorshkov said at the lender's investment forum.

"This is a historical minimum over the last six years, and it may decrease by a couple more percentage points by the end of the year," he added.

Gorshkov said the structure of Russians' savings is affected by the Central Bank's record-setting 21% interest rate, which the lender raised to fight inflation amid growing wartime spending.

Besides 15.9 trillion rubles in cash, Russians also hold the equivalent of $94 billion in foreign currency. Those figures compare to 56 trillion rubles of Russians' savings held in banks.

Gorshkov forecast that Russians will transfer around 350 billion rubles of their cash savings into banks this year.

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"Russians will not only be able to protect that money from inflation, but also receive a record interest income," Gorshkov said.

High interest rates generally lead to less spending and more savings due to high borrowing costs. High interest rates also bring larger returns on savings account deposits.

VTB said higher rates on ruble deposits led Russians to "more actively" get rid of foreign currency in cash. The lender expects Russians' foreign currency portfolio to decrease by up to $3.5 billion this year, compared to a decrease of $500 million last year.

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