The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Capital Outflow Could Surge 42% to Reach $50Bln in 2011

By The Moscow Times

June 09, 2011

Capital outflows from Russia may surge 42 percent to $50 billion this year as rising imports trim the country's current account surplus, according to Alfa Bank, the country's largest private lender.

Outflows may be $20 billion in the second quarter after reaching $12.8 billion in April and May, Natalya Orlova and Dmitry Dolgin, analysts at the Moscow-based bank, wrote Thursday in an e-mailed research note. Alfa previously forecast $15 billion in outflows for the second quarter and a full-year inflow of $5 billion.

"The increase in current account risks per se is a strong negative factor, affecting the capital account trend," Orlova and Dolgin wrote. Imports will probably grow 40 percent this year, up from a previous forecast of 35 percent, they estimated.

An "unfavorable" investment climate and investor concern that a drop in oil prices may weaken the ruble are causing private capital to leave Russia, Central Bank Chairman Sergei Ignatyev said last month. Uncertainty over next year's presidential election is also fueling outflows, the World Bank said Wednesday.

Net outflows totaled $21.3 billion in the first quarter, according to preliminary Central Bank data. Outflows reached $35.3 billion last year, with $21.5 billion coming in the fourth quarter, down from $56.1 billion in 2009 and $133.7 billion in 2008.

Russia's current-account surplus rose to $31.8 billion in the first quarter, up from $14.1 billion in the last three months of 2010, according to data compiled by the Central Bank. Urals crude, the country's main export blend, gained 23 percent in the period.

The current account surplus may shrink to $9 billion in the third quarter and $7 billion in the fourth, Alfa said. Urals has declined 5.7 percent from its 2011 high of $122.88 a barrel, which it reached April 8.

The weakening current and capital accounts are a "threat" to the bank's currency forecast of 29 rubles per dollar at the end of the year, according to the note.