

# Amid Tensions, Fitch Lowers Russia's Credit Rating Outlook

By [The Moscow Times](#)

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Russia's credit rating outlook was lowered to stable from positive at Fitch Ratings as political uncertainty spurs capital flight and threatens plans to wean the economy off its dependence on energy exports.

"Political uncertainty in Russia has risen and the global economic outlook has worsened since Fitch last affirmed the rating" at BBB, the second-lowest investment grade, in September, Charles Seville, director of Fitch's sovereign group, said in the statement. "Recent events have highlighted the limitations and risks associated with Russia's political model."

None of the three main ratings companies have upgraded Russia since the 2008-09 global financial crisis.

"It's unclear how the country's leadership will respond to the unexpected wave of protests triggered by the elections," Fitch said. "In the long term, democratic development that leads

to better governance could be positive for Russia's ratings, but in the short term, uncertainty has increased."

Putin has said Russia's debt grade is an "outrage" that lifts corporate borrowing costs and increases risks. The nation's sovereign credit rating was last raised by New York-based Moody's Investors Service in 2008 to Baa1, the third-lowest investment grade, one level ahead of Brazil and four below China.

"Political uncertainty increases the risk of capital flight, which could put greater pressure on the Central Bank of Russia's reserves and the ruble," the ratings company said.

"A government under popular pressure may be less inclined to carry out a fiscal adjustment, to reduce the nonoil fiscal deficit towards its pre-crisis target of 4.7 percent of gross domestic product."

Russia's net outflow of capital more than doubled last year to \$84.2 billion, reaching the second-highest level since Central Bank records began in 1994, the Central Bank said on its web site Jan. 12, citing preliminary data. Outflows in the fourth quarter advanced to \$37.8 billion from \$19 billion in the previous three months.

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