The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Net Capital Outflow for 2013 Rises to $62.7Bln

By The Moscow Times

January 19, 2014

Russian companies and banks raised their net capital outflows in 2013 even as the country's current account surplus halved, according to Central Bank data, underscoring the weak state of the economy and the fragility of the ruble.

The negative trends for both trade and investment flows highlight the growing problems facing the economy, which has recently seen a sharp slowdown in growth.

Typically, surpluses in the current account of the country's balance of payments are balanced out by deficits on the capital account, meaning net capital outflows. A fall in the current account surplus should mean there are less surplus savings to be invested outside the country.

But the Central Bank late last week estimated that the net capital outflow last year came to $62.7 billion, up from a $54.6 billion outflow in 2012, while the current account surplus more than halved to an estimated $33 billion from $72 billion in 2012.

Expectations that the U.S. Federal Reserve will wind down its monetary stimulus have led investors to bet against emerging markets in recent months leading to more capital outflows. The ruble hit a four-and-a-half year low last week.

Russia's large capital outflows predate the latest bout of emerging market jitters, however, and are commonly cited as a sign of the country's poor investment climate.

The negative trends on both sides of the balance of payments equation meant that the Central Bank's reserves shrank by $22.1 billion last year — although they remain high at almost $500 billion.

The current account surplus has steadily shrunk in recent years as rapid growth in imports outstrips less dynamic exports, a factor that economists warn will weigh on future economic growth prospects and increase Russia's vulnerability to external shocks.

The Central Bank recently forecast that the surplus, which was over 10 percent of gross domestic product a decade ago, will disappear altogether by 2016.

Original url:
https://www.themoscowtimes.com/2014/01/19/net-capital-outflow-for-2013-rises-to-627bln-a31204