

Ruble Chaos Sparks Russian Spending Spree

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At 8 p.m. on Wednesday, GUM, a historic chic shopping mall near the Kremlin, had more salespeople than customers.

But on the other side of town, Swedish furniture retailer IKEA was making money hand over fist at its flagship store just north of Moscow after the chain announced it would raise prices on Thursday.

"There was no place to park a car. ... There were people from Moscow, the regions, a lot of small trucks with unfamiliar license plates," said Artemy Pushkaryov, a history researcher at the Russian Academy of Sciences and an eye witness to the rush.

It took three attempts and hours of standing in lines for Artemy to purchase a wardrobe. By the end of the day, he said, people in the queue began to think of the Soviet times when

standing in lines for hours to purchase basic food, clothes or furniture was as normal as a winter's snowfall.

IKEA on Thursday said it had temporarily stopped selling kitchen appliances because it could not meet the increased demand.

The violent fluctuations of the ruble, which on Tuesday lost 20 percent of its value only to rebound back to nearly previous rates the next day, is encouraging Russians to speed up purchases of goods before retailers adjust prices to the new economic reality.

Even after pulling back from Tuesday's record lows, the ruble has lost some 35 percent of its value against the U.S. dollar in the past two months.

"We observe growing demand for large-size electronics and household goods like televisions and refrigerators," said Anna Trofimova, a spokesperson for electronics retailer Media Markt.

Sales at Media Markt have doubled over the last two weeks compared with the same period last year, she said.

Anton Panteleyev, a spokesman for large electronics retailer M.Video, said the ruble's fall has prompted many customers to make purchases now that they normally would have put off until later.

He estimated that about 30 percent of all sales at the retail chain were made on people's rush to invest savings before the ruble's meltdown would drag down their buying power.

Hot Time for Car Dealers

Besides electronics retailers, car dealers are also experiencing high demand.

"People are going crazy, the phones are hot as potential customers call from all over Russia, Belarus and other neighboring countries," Dmitry, a used car dealer, told The Moscow Times.

Buying a new car today is next to impossible as sellers look to limit their losses on the fluctuating ruble.

Many major car dealers are out of stock and are not ordering more vehicles. Others are refusing to take in new orders until the situation with the ruble clarifies, market research agency Autostat wrote in an analytical note released Thursday.

Three major car dealers — Major Auto, Avilon and Transtekhservice — stopped selling cars this week to revise their stock and prices, news reports said.

Major car producers like Jaguar Land Rover and BMW have also reportedly put a freeze on car shipments to the country or asked for a prompt downpayment from dealers.

Others have already upped prices enough to insulate themselves from the volatile ruble. According to Autostat, 23 car producers increased their prices in December.

But "even cars that saw a price hike [to compensate for the falling ruble] are being sold fast," Oleg Datskiy, the head of Auto-dealer.ru car sales website was quoted by the Vedomosti

newspaper as saying.

Apartments as Hard Currency

Besides cars and household electronics, another all-time popular investment tool in Russia is real estate.

"Immediately after the Central Bank increased the key rate to 17 percent, we were bombarded with phone calls. Customers were rushing to ink their mortgage deals on previous terms," said Yana Sosoreva, deputy head of sales at real estate company NDV.

In an attempt to stabilize the collapsing ruble, the Central Bank late Monday hiked its key rate 6.5 percent from the previous 10.5 percent baseline. The Russian currency traded at record lows the next day but banks' lending rates, which the Central Bank's new terms make more expensive, were not immediately revised.

As the ruble tumbles, people are trying to save their money by buying something of worth. Those who have enough savings turn to real estate, Sosoreva said.

According to NDV, new apartments are selling particularly well — the number of deals the company closed in November-December grew by 40 percent compared to October figures.

Maria Litinetskaya, the head of real estate firm Metrium Group, said the demand is mostly for economy-class housing, although luxury apartments have also seen a growth in sales.

"After the Central Bank's decision to hike the key rate people have been literally queuing to buy property," she said, adding that out of 10 people who buy an apartment, only one or two are doing it to improve their living conditions. For the majority, buying an apartment is an investment.

The company said it also noted an unusual trend that surfaced recently as buyers seek greater and greater security.

"In December we had requests from customers to purchase whole floors in apartment buildings, not just single flats," Litinetskaya said.

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