

SAVINGS BEHAVIOUR PATTERN: FORGET THE CURRENCY

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In 2015, the population has turned to the savings pattern. It is reflected among other in the renewal of the savings rate on bank deposits, which was characteristic of 2012–2013 and simultaneous repayment of bank debts. At the same time, prior to December 2015, there was no significant demand for foreign currency and downward trend for cash demand remained.

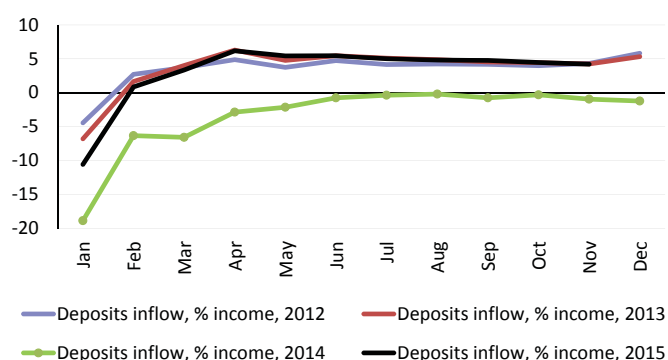
In 2015, the population returned to the savings pattern, which characterized 2012–2013 following sharp decline in retail bank deposits registered in 2014. Over 11 months of 2015, the volume of retail bank deposits and accounts has moved up by 10.7% (by Rb 1.9 trillion). Over the same period of 2014, the dynamic of the retail bank deposits was negative. The population withdrew Rb 400 bn from the banks (2.4% of their volume). In 2012–2013, the deposit base growth was less robust (11.7–12.5%) with lower volumes (Rb 1.5–1.7 trillion over 11 months). This is explained both by the economy of scale and by a shift in the economic outlook.

From the point of view of the savings rate, the share of households money income allocated on bank deposits and accounts has not practically changed compared to the two-three year old situation. Over 11 months of 2015, retail bank deposits have constituted a little bit over 4% of the money income of the population.

However, the nominal volume of the households' money income has been increasing slower than the nominal deposits volume growth. For the period of 11 months of 2015, the population's income tuned out to be by 19% higher than over the corresponding period of 2013. Meanwhile, the volume of retail deposits went up by nearly 30% in the nominal terms including due to the revaluation of currency deposits in the wake of the ruble devaluation. In these circumstances, sustaining the savings rate at the 2013 level has led to the somewhat slowdown of retail bank deposits growth rates.

2015 has also seen the corresponding shift in the structure of the households' income and expenses. The households have significantly increased the volume of their savings on bank accounts and deposits. Meanwhile, they repaid loan debts. At the same time, the share of consumer expenses both on goods and services and on purchase of foreign cash.

Over January–November 2015, assets flow between the households



Sources: Bank of Russia, Rosstat, IEP's estimates.

Fig. 1. Retail deposits on bank accounts and deposits from the turn of the year

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and the banking sector has changed to an opposite one. Over the same period of 2014, as a year before, the population was the net borrower in relation to the banking sector. Individuals were accumulating debt on bank loans by Rb 1.3 trillion, which was equivalent to 3.0% of the households' income. At the same time, the volume of bank deposits fell by Rb 0.4 trillion which matched 1.0% of money income. Thus, during the first 11 months of 2014, households got from the banks Rb 1.7 trillion. In 2015, either channel of transfer of financial assets worked in the opposite direction. Contraction of the credit market resulted in the contraction of the population's bank debts by Rb 0.9 trillion (1.8% of money income)¹, and the bank deposits as was noted returned to the positive dynamic.

Consequently, it is obvious that the population returned to the savings pattern regarding the banking sector, which is characteristic for the period of income reduction. Similar trends were observed in 2009. Then, amid increased inflow of bank deposits, the population also cut loan debt.

It should be noted that the reduction of the population's loan debt allowed the households to reduce the share of income allocated for mandatory payments and contributions. Overall, its share fell from 11.6% in January–November 2014 to 11.0% in January–November 2015. Open data of banker books allow to set aside quarterly interest payments on bank loans, which ratio to the population's money income during three quarters of 2015 shrank by 0.4 p.p. in comparison with the same period of 2014 (from 4.0 to 3.6%).

Table 1

**MAIN ITEMS OF HOUSEHOLDS' SPENDING AND SAVINGS
IN JANUARY–NOVEMBER 2013–2015, % OF MONEY INCOME**

	2013	2014	2015
Spending on goods and services	72.1	74.2	71.1
Mandatory payments and contributions	11.4	11.6	11.0
Bank operations	-1.1	-4.0	6.0
Inflow of bank deposits	4.2	-1.0	4.2
Rubles	3.5	-0.6	3.5
Foreign currency	0.7	-0.3	0.7
Attraction/payment of loan debt («-» – debt growth)	-5.4	-3.0	1.8
Cash increment	0.1	1.7	-1.8
Rubles	0.3	-0.2	-0.8
Foreign currency	-0.2	1.8	-1.0
Total bank and cash operations	-1.0	-2.3	4.2

Sources: Rosstat, Bank of Russia, IEP's estimates.

Analysis of various items of the households' spending confirms the population's transition to the savings behavior pattern. For example, the simplest savings definition as a difference between disposable income and consumer spending provides that during the first eleven months of 2013 nearly 16.5% of the population's money income were allocated for savings. Over the same period of 2014, due to the impact of increased consumer activity the sav-

¹ For further information on the 2015 lending market contraction please refer to Michael Khromov "Retail lending: deduction from demand". Online Monitoring of Russia's Economic Outlook №15, 2015.

ings rate shrank to 14.2%. In addition, in January–November 2015, the gap between disposable income and consumer spending of the population has already reached 17.9% of the population's money income, which, obviously, speaks about the reduction in consumption and increase in savings due to a decrease of consumer purchasing power of the population¹.

The following features of the population's savings behavior pattern in 2015 should be noted separately. First, reduction of demand for cash. Typically, the peak cash growth falls on December. However, during the first eleven months, as a rule, the cash volume increases compared with the start of the year. However, both in 2014 and in 2015 the cash volume in circulation failed to recover by the first of December to the level of the start of the corresponding year. Besides in 2015, this reduction was much more pronounced at about Rb 400 bn or 0.8% of the population's money income. As a result, in 2015 the share of cash in the ruble money mass has reached its absolute minimum of 20.4%.

Moreover, despite a highly unstable dynamic of the national currency exchange rate, 2015 does not register a significant demand of the population for foreign currency. Over 11 months 2015, according to our estimates, the volume of foreign currency owned by the population fell by more than USD 11bn. Meanwhile, foreign currency bank deposits increased over the same period by mealy USD 6bn. One can assume that practically total demand for foreign currency by the population was satisfied in 2014 when the volume of foreign currency went up by USD 28bn mainly during the last months of the year. In 2015, in the wake of falling real income the population did not dispose of additional financial assets for investment in foreign currency. Part was transferred into the non-cash money and the rest, most likely, was used on current spending. ●

1 For further information on decline of income and fall of consumer demand please refer to A. Burdyak, E. Grishina "Population's Income and Consumer Crediting Is in the Red".