STRATEGIES OF FINANCIAL BEHAVIOUR OF THE POPULATION: UNDER THE PRESSURE OF "NEWS-DRIVEN ECONOMY"[1]

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Analysis of the dynamics of lending and household deposits allows to find interesting models of consumer behaviour from the perspective of consumption and savings balance. They fit into four provisional, sequentially alternating types of population's activity, which often depend on the number and content of information in the "news-driven economy". In these circumstances, archaic strategies of financial behaviour gain ground.

The data used in the analysis concerned the volume of loans provided to the population, loan debts, household deposits, retail trade turnover, as well as funds people spend on purchasing foreign currency, and the number of transactions.

In absolute values, individual deposits[2] show stable growth throughout the whole considered period which includes the pre-crisis years of 2012–2013 as well as all subsequent dates till April 2016. Loan indebtedness peaked at the end of 2014, after which its stable decrease began (*Fig. 1*).

Until autumn 2014, the balance of deposits and loans remained relatively unchanged at 6400 billon roubles, which effectively meant that Russian popu-
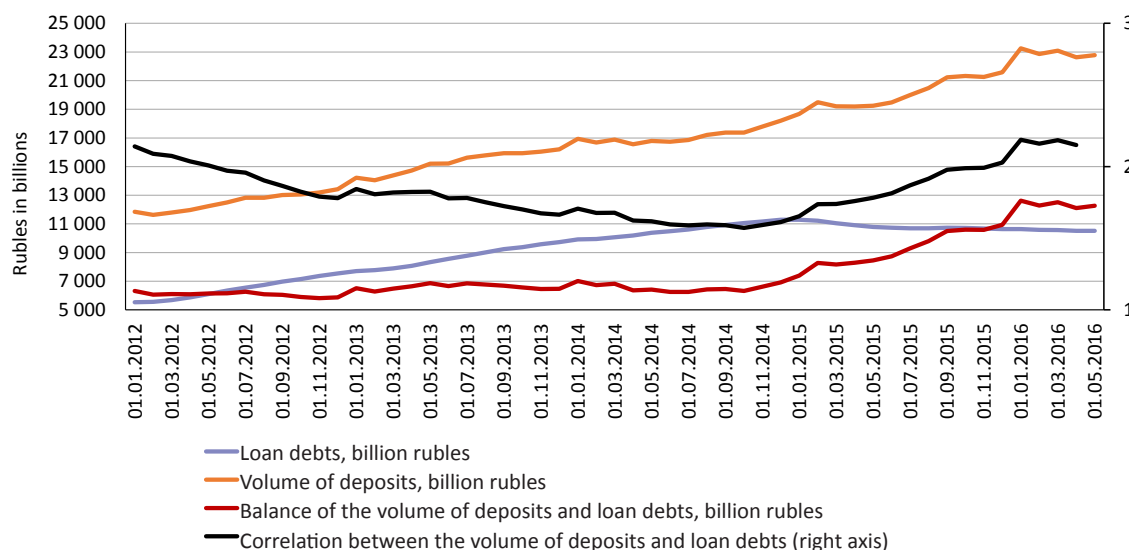
Source: comp. by authors on the basis of: Bank of Russia Statistical Bulletin No. 6 (277). – M.: Bank of Russia, 2016. – 310 p.

Fig. 1. Dynamics of the volumes of household deposits and individuals' loan debts

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2   Individual (household) deposits are deposits and other funds of individuals borrowed by credit institutions (including savings certificates), outstanding commitments under contracts to raise funds with deposits and other borrowed funds as well as funds on individuals' other accounts. Funds of individual entrepreneurs, individuals' election funds, and capital transfers from and to Russia are not included into this indicator.

lation was a net creditor of the banking sector. The proportion between individual deposits and loans had been reducing until 01.10.2014, which reflected the general trend of the consumer segment's loan saturation. The latter can be traced clearly by the indicator of loan volumes growth rate compared to the same period of the previous year: by the end of 2014, loan volumes growth rate declined steadily from 39.7% in January 2013 relative to January 2012, to 17.4 % in December 2014 relative to December 2013. In 2015, the growth rate slowed down even more (*Fig. 2*).

It's interesting to look at the end of the first phase and the whole period of the second phase (hereinafter: the names are conventional and introduced to denote periods in a simpler way). The growth rate of individual deposits caught up with consumption growth rate, which can be interpreted as a crisis of confidence over the banking system. There is no inflow of individuals' funds into financial sector, therefore the role of household savings as a financial asset is declining; considering the shrinking of the financial market in general, the is akin to an outflow of investment resources. The latter, in turn, is causing direct and indirect damage to the economy. Another important factor is the lack of financial literacy among Russian population, which results in foreign currency cash market developing disproportionately in comparison, for example, with the market of collective investments (mutual funds).

Retail trade turnover remained stable in relative terms until December 2014, when the change in monetary policy was marked by speculative demand for many product groups. After that, a long-lasting recession took shape, pointing to an increasing propensity to save, notably in the most archaic forms of financial behaviour.
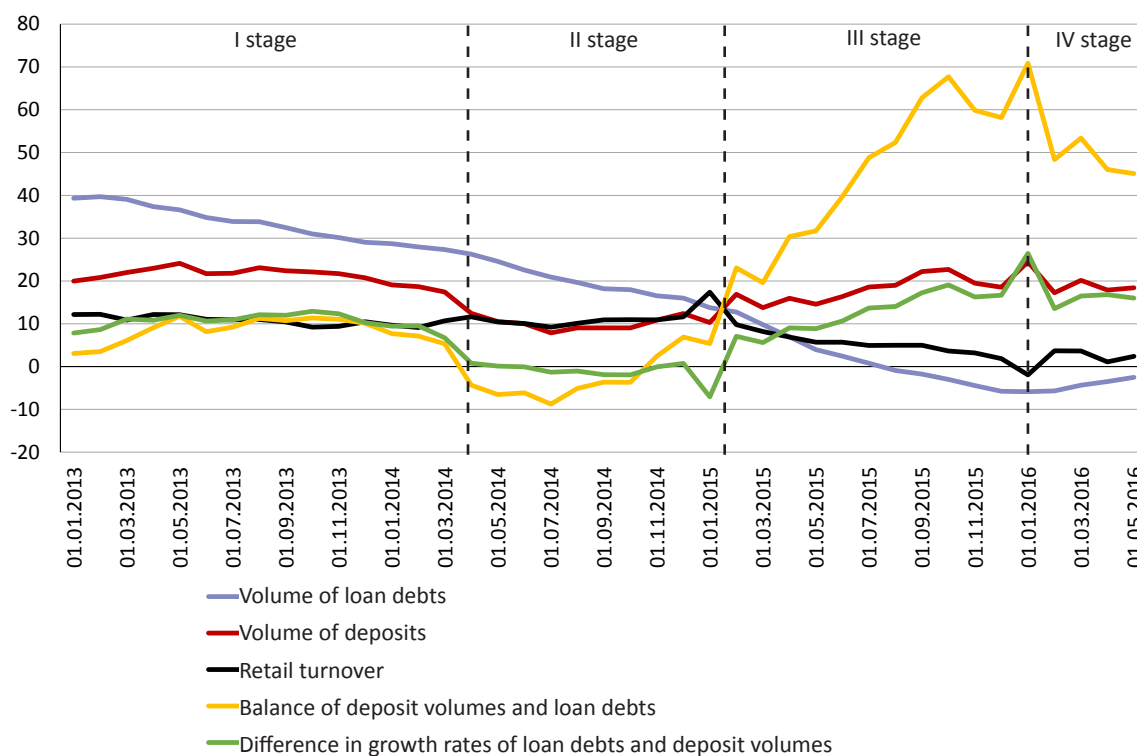
Source: comp. by authors on the basis of: Bank of Russia Statistical Bulletin No. 6 (277). – M.: Bank of Russia, 2016. – 310 p.; Retail turnover / EMISS. – [Electronic resource]. – URL: https://fedstat.ru/indicator/31260 (accessed 01.07.2016).

Fig. 2. Normalized growth rate, % of the corresponding period of the previous year

The chart presented in *Fig. 2* shows that relative decline, or rather cessation of consumption growth was accompanied by an increase in individuals' funds on bank accounts. The same pattern was typical for the period before March 2014, with the only difference being that the consumption grew inertially and higher levels of savings were supported by the increase in real incomes, allowing the population to form some cash reserve.

In the period from March 2014 to January 2015, in the context of growing uncertainty and pessimistic expectations, people changed their behaviour pattern to the consumer one, with the result that relative growth rates of savings and spending equalled. But since the beginning of 2015, the growth rate of savings began to accelerate while consumption started to slow down.

Two remarks are noteworthy. First, January 2015 may be referred to as a turning point, since, as we see in *Fig. 2*, three lines intersect at this point, giving rise to new trends. Second, it is an "empirical trough" of the crisis. One of the most accurate indicators of post-crisis economic recovery is an increase in credit activity in the consumer segment: by January 2016, a reversal of the dynamics of consumer loan volumes had began, which means that both banks and borrowers are generally positive about the outlook (*Fig. 3*).

In May 2016, there was an increase in total individual loan debts by 0.2% compared to the previous month. This was a consequence of the growing volume of loans provided to the population since January 2016: while positive growth rates are normal for this sector (*Fig. 3*), year-on-year comparison shows positive dynamics.

Throughout the first phase, which is presented as a kind of "normal" period for the purpose of comparison, the volumes of purchases and sales of foreign currency showed only seasonal changes while remaining in a given cor-
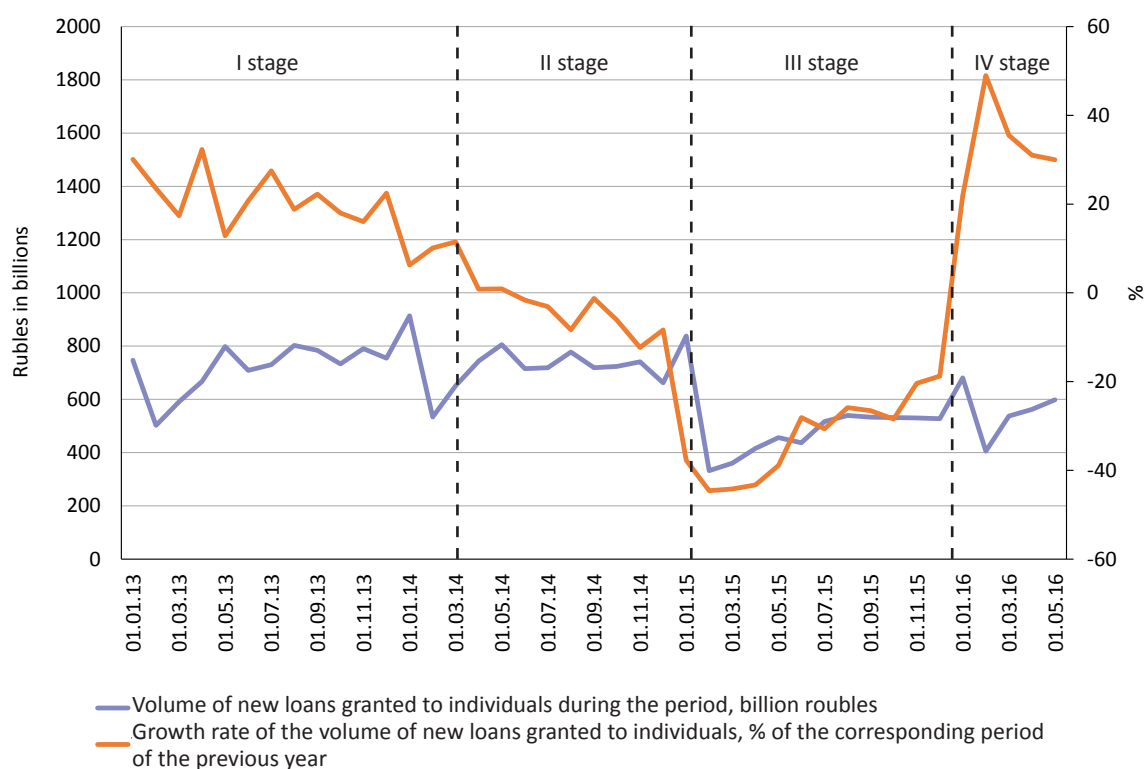

Fig. 3. Volume of loans to individuals in Russia in 2013–2016

ridor of slightly growing trend. A more reliable indicator of the cash foreign currency market stability is the cost value of an average transaction size for a purchase or sale of foreign currency. During the pre-crisis phase, an average purchase ranged in a corridor of 45–60 thousand roubles per operation while sales were slightly more volatile (*Fig. 4*).

In December 2013 and QI 2014, abnormal growth of foreign currency purchases (measured in roubles) was observed, which can be interpreted as a realization of negative expectations about exchange rate fluctuations as a result of falling oil prices and developments in Ukraine. It is noteworthy that during the second phase, foreign currency sales, both total and average, remained in the corridor of 2012–2013 values. The growth of average sales of currency in November and December 2014 may be called speculative: this way, foreign currency holders reacted to the growing demand for foreign currency, while population had no other reason to sell greater amount of currency such as need to compensate for shortfall in income. In foreign currency purchases, another trend can be traced: rouble devaluation which accelerated in September 2014 stimulated increase in the average volume of foreign currency purchase transaction, while the amount of money spent on buying it was at the level of the corresponding period of 2013.

During the third phase, starting from June 2015, the average volume of foreign currency purchase transaction continued to grow until January 2016, while gross expenditure on foreign currency purchase (measured in roubles) was generally at the level of the corresponding periods of 2012–2013. It is natural that, given the change of the exchange rate, the amounts of currency
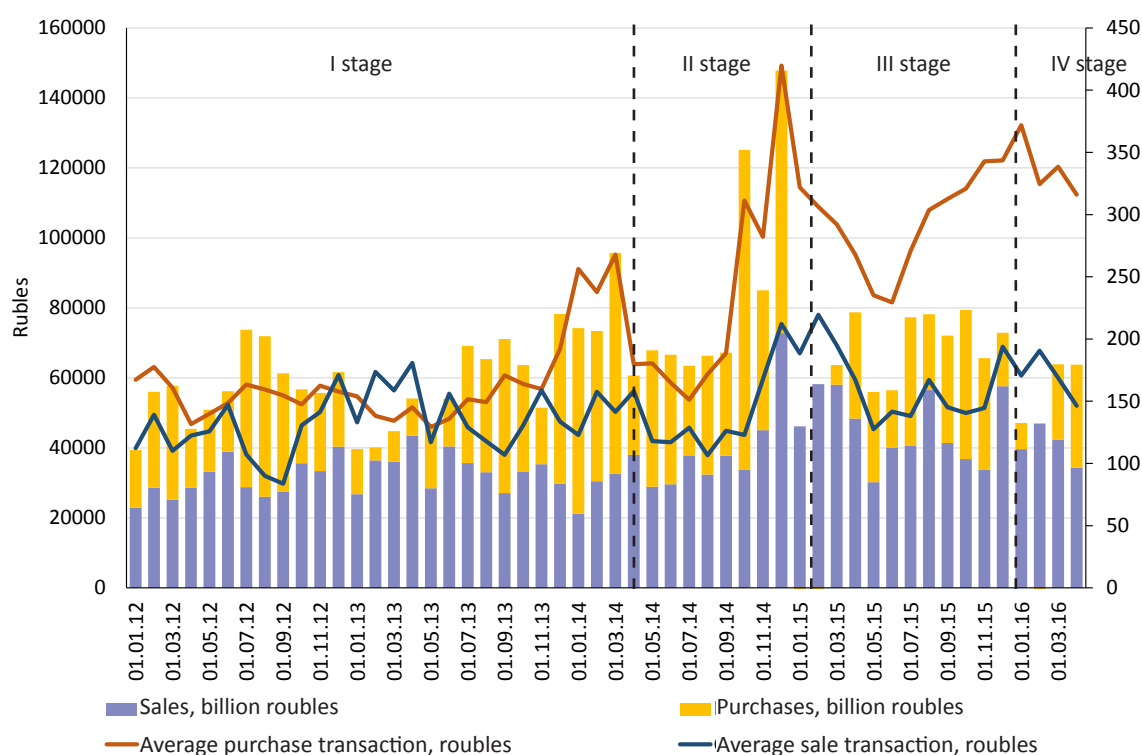
Source: comp. by authors on the basis of: Review of the main indicators characterizing the state of the domestic cash foreign currency market (in the respective month) / Bank of Russia. – [Electronic resource]. – URL: http://www.cbr.ru/analytics/?PrtId=bnksyst (accessed: 07.01.2016).

Fig. 4. Transactions volumes of foreign currency purchases and sales by population

being purchased decreased. This indicates that people adhere to the archaic saving strategy: the total number of people who are "able" to buy foreign currency, that is who have more income than is needed for paying their current bills, decreased significantly as well as the total number of purchase transactions.

At the same time, the reduction of real incomes triggered the decrease in consumption in volume terms, while in value terms, an increase has been observed commensurate with the consumer price index. In other words, people preferred not to touch their savings in foreign currency and in bank accounts.

Potentially, there can be two reasons for that: the "concept" of consumer lifestyle has changed and people started to lean towards saving (retailers speak about the reduction in the average basket size, which generally indicates a decline in economic activity of the population), or there are expectations of recession. The second hypothesis is refuted by opinion surveys[1] as well as by more objective information from the banking system: in January 2016, for the first time since 2012, a reversal of the trend of consumer lending relative growth took place. This means that at least two parties – banks and the population – estimate that economic stabilization is the most likely scenario.

There were no economic prerequisites for the outflow of deposits and the jump in the demand for foreign currency at the end of 2013 and the first months of 2014. So we can talk about the political factor's impact on the economy. This phenomenon is described as "news-driven economy" or "event-driven economy": political events break economic activity trends and behaviour patterns through mechanisms of information dissemination, resulting in increased risks and uncertainties. If the economy worked mainly on economic mechanisms and political factor and news did not have such influence while market-based institutions were of more importance, the system would be more stable and would not create internal shocks.

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1   Monthly monitoring of social and economic situation and self-assessment of the population: 2015 – May 2016 / The Russian Presidential Academy of National Economy and Public Administration; ed. by T.M. Maleva. 2016. – P. 19.