

## Russian 'Investable Wealth' Shrank 19% in 2009, Citigroup Says

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By Maria Levitov

April 8 (Bloomberg) -- Russian "investable wealth" declined 19 percent last year when the country's economy suffered its biggest contraction on record, Citigroup Inc. said in a report e-mailed today.

Total investable wealth held by Russians in the "mass affluent segment" shrank to 3.4 trillion rubles (\$115.5 billion) from 4.2 trillion rubles in the previous year, Citigroup said in a joint report with the Moscow-based New Economic School. The number of people in this segment dropped to 990,000 from 1.2 million, the report said.

"The mass affluent segment has lost less than expected during the crisis due to its conservative investment strategy, as well as, to a certain degree, underdevelopment of the Russian financial market," Sergei Guriev, rector at the New Economic School, said in the report.

The study defines Russians who had investable wealth of between 1.3 million and 13 million rubles at the end of 2008 as those in the mass affluent group. They generate 25 percent of the country's income and account for 30 percent of all bank deposits in Russia, according to Guriev.

Russia's economy is set to expand at least 3.2 percent this year after contracting a record 7.9 percent in 2009, according to Finance Minister Alexei Kudrin. Household spending is fueling the recovery as falling unemployment and higher wages boost consumer confidence.

The number of wealthy individuals will return to the pre-crisis level as early as within a year, according to the report. Their ranks are set to grow between 2.5 percent and 5.5 percent annually over the next five years, it said.

"In Russia this segment has been growing as quickly as in other BRIC countries over the past few years, even though Russians' conservative behavior is a reminder that it is more typical of the developed countries in Europe," Zdenek Turek, head of Citi in Russia and the CIS, said in the report. Because of their "patriotism," these individuals pour some of their wealth into international securities issues by Russian companies, Turek said.

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