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Основные причины мирового экономического кризиса и его влияние на экономику России

Одной из основополагающих причин мирового финансово-экономического кризиса является кризис ипотечного кредитования, который разразился в США в 2007 г. В свою очередь, основной причиной ипотечного кризиса явилось широкое распространение субстандартного кредитования.

В статье рассмотрен пример субстандартного кредита. Большую роль в распространении субстандартного кредитования сыграли финансовая инновация и секьюритизация.

Кризис банковской системы США оказал влияние на всю мировую экономику, в том числе и экономику России, которая понесла большие убытки на фондовом рынке, а также в результате падения цен на нефть.

Российская Федерация в настоящее время проводит ряд антикризисных мер, и, возможно, уже в конце 2009 г. наметятся положительные изменения.

The Main Causes of the Global Crisis and its effect on the Russian Economy

The World Bank projects that the Global GDP will decline by about 2% in 2009, worldwide trade is projected to decline by 6%, over 50 trillion dollars of wealth has been lost worldwide as a result of losses in stock markets and land values. Russia's GDP is projected to decline by 6% and millions of people in Russia and other countries are losing their jobs.

The Global Crisis began in the United States as a direct result of the Sub prime Mortgage Crisis that began in 2007. In the early years of this century the US Federal Reserve Bank lowered interest rates to 1% (this rate strongly affects the mortgage lending rates) and along with other government policies strongly encouraged home ownership and supported the development of the sub prime mortgage market. The effect of these policies was magnified by the influx of billions of dollars of investments from China and other countries.

There are three categories of mortgage borrowers in the US. Prime borrowers have a good credit history and provide a down payment of about 20% and can document their income. Traditionally a prime borrower would receive a 30 year fixed rate mortgage from the bank. Alternative A borrowers (AltA), are just a drop below prime. For a variety of reasons, they may not be able to document their income. These loans became almost as unreliable as the Sub prime loans. Sub prime is below AltA and is characterised by a poor credit history, uncertain income and no down payment. Sub prime mortgages typically have Adjustable Rates ARM (in a 2/28 the low teaser rate is in effect for the first two years of the loan and then the rate changes periodically based on the market rate), teaser rates and are referred to as «Liar Loans» . Predatory lending practices are common with these loans in which the mortgage broker aggressively pursues the borrower using unethical practices.

The Sub prime loans by their very nature will have higher rates of default and therefore demand higher borrowing rates. Between 2005–2007 $1.4 trillion of sub prime mortgages were generated of which 70% were securitised. The heart of the sub prime meltdown rests with the high default rates on these mortgages.

In order to fully understand the problems caused by the sub prime loans I think it is useful to review a short example of a typical sub prime loan situation.

In this example the sub prime borrower takes out a $300, 000 mortgage in 2004 on a house that costs $300,000, her initial payment is $1000 per month because she has received a special teaser rate of 4%. By 2005 the house is valued at $350,000 so she has equity in her home of $50,000 at this point. By 2006 she has equity of $100, 000 so she is able refinance and get another mortgage at the teaser rate of 4%. However, in 2008 the value of her home is now $270,000 and the Adjustable Rate Mortgage she has now has a rate of 8% and a monthly payment of $2000. In 2008 her home is valued at $270,000 and she still has a mortgage of $300,000 and now has a negative equity of $30,000 and is unable to refinance her mortgage. It is likely that she will not be able to make her mortgage payments and the bank will have to foreclose on her mortgage (see Table).

Table

Year	Cost	Appraised Value	Mortgage	Monthly Payment
2004	$300,000	$300,000	$300,000	A) $1000
2005	$300,000	$350,000	$300,000	$1,000
2006	$300,000	$400,000	$300,000	B) $1000
2007	$300,000	$340,000	$300,000	$1,000
2008	$300,000	$270,000	$300,000	C) $2000
Notes:				
A) Teaser Rate 4%				
2/28 ARM				
B) Refinanced at 4%				
2/28 ARM				
C) ARM reset to 8%				
CANNOT REFINANCE				

This was a typical situation for millions of American homeowners. They bought their homes based upon false promises made by mortgage brokers. These people bought their home because they thought that home values would always increase and many studies supported this belief. When home values decreased mainly because the Federal Reserve Bank raised interest rates in 2006 from 1% to 5"% this greatly increased the cost of mortgages and also increased the rate at which the Adjustable Rate Mortgages were reset from the original teaser rates of perhaps 4% to a rate of about 8%. This increased borrowing costs significantly reduced the demand and hence the value of homes. Also as we can see from our example the higher ARM rate greatly increased the amount of loan payments that borrowers had to pay. The result was that the default rates increased by 93% in 2007 from 2006. It should also noted that between 1997 and 2006 home values in the US increased by 124% this was a significant factor in the popularity of sub prime mortgages. After the Fed raised its interest rates in 2006 the value of houses declined by 30% between March of 2006 and March of 2009.

Financial innovation was a significant factor because it encouraged the widespread usage of sub prime mortgages. Securitization, a financial technique that was used in 70% of recent sub prime mortgages, is a form of structured finance that involves the pooling of financial assets, for which there is no ready secondary market, such as mortgages. The pooled mortgages are sold by the mortgage lender to a special purpose entity and serve as collateral for new financial assets (bonds referred to as Mortgage Backed Securities (MBS)) that are sold by the special purpose entity to investors. Credit rating agencies often gave MBS's high ratings that made it easy to sell them to investors. The risk of default was transferred from the loan originator to the investor. This process made it easy for the loan originators to generate capital for new loans. The rise in popularity of securitized products ultimately led to a flood of cheap credit and lending standards were significantly reduced. The MBS's and CDOs (Collaterised Debt Obligations) were eagerly purchased by most investment banks and many foreign banks. These investments created billions of dollars of exposure to sub prime or toxic assets.

Together with the Securitization process Credit Default Swaps were another financial innovation that facilitated the spread of sub prime mortgages. A CDS is a form of insurance that guarantees the performance of a specific bond or entity. In this case CDS were sold by an insurance seller for example AIG to an investor of a MBS that was collateralised by sub prime mortgages, in the event of the default of the MBS the insurance seller would pay the investor the amount of the MBS. The problem is that the seller of the CDS contract can sell it to another party who can then sell it to another party at a higher rate of commission in an endless chain. In this kind of scenario it is almost impossible to determine which counterparty must pay in case of a default or if that counterparty has the money to pay for the default. The amount of the CDSs are huge and the beginning of 2007 the nominal value of CDSs was about 62 trillion dollars which more than the GDP of the whole world. Exposure to 400 billion dollars of Credit Default Swaps was a major reason for the bankruptcy of Lehman Brothers and the near bankruptcy of AIG. The CDS qualify as derivatives and under US law are not allowed to be regulated.

All of the major investment banks needed short term loans to fund their operations, One of the favourite instruments of this shortterm borrowing became the overnight repurchase agreement or «repo loan». Overnight repos are a form of «collateralized borrowing» whereby a bank pledges its assets as collateral in an overnight loan with another bank. To oversimplify Bank 1 sells a portion of its assets to Bank 2 with the understanding that it would buy back its assets at a higher price (in many cases these assets were MBS) . This process was deemed a low credit risk during good times when default rates were low and housing prices were rising. However when housing prices declined and defaults rose in 2007 the value of the assets used as collateral decreased and created profound systemic implications because it connected financial institutions to each other so that when one bank got in trouble, its problems spread to the other institutions with which it was trading.

By 2007 the Federal Reserve Bank had raised interest rates from 1% in 2002 to 5"% and this greatly increased the cost of mortgage loan. In addition millions of the Adjustable Rate Mortgages (described in the example) were reset at market interest rates that in may cases were 2 or 3 times the original teaser rates. As a result many borrowers could not pay their mortgage payments and defaulted on their loans. The value of houses in the US was now in steep decline. All of these factors were reflected in the ABX index which measured the market value of MBS and CDS which showed the greatly decreased value of the MBSs and the increased costs of CDS because the risk of default had substantially increased. In 2007 financial institutions in the US such as Citibank, Merril Lynch, Banks of America and others incurred billions of dollars in write offs because of their exposure to sub prime Investments. This crisis was like a virus that spread to major banks such as UBS, Barclays, HSBC and many other banks. The IMF estimates that the writeoffs by banks will exceed 4 trillion dollars. In 2008 many banks were having huge liquidity problems because the collateral they used for there repos was significantly diminished and these banks could no longer lend money to clients.

While the sub prime crisis affected all the major international financial institutions, the events at Bear Stearns, Lehman Brothers and AIG had the most impact on the worldwide financial system. In March of 2008 Bear Stearns escaped bankruptcy by selling its stock to JP Morgan for the distressed price of $2.00 per share. Bear Stearns had encountered severe liquidity problems because a couple of its hedge funds had great exposure to sub prime assets. On September 15th, 2008 Lehman Brothers declared bankruptcy largely because it had $400 billion dollars of exposure to Credit Default Swaps. Nobody knew or could determine whether these CDSs could be paid. The result was that worldwide interbank lending truly froze, as no bank trusted another's solvency; as Noriel Roubini said the entire financial intermediation activity was at of complete collapse. AIG had about 500 billion dollars of exposure to the CDSs that it served as a counterparty, the US government believed that AIG was «Too Big to Fail» because AIG's failure would have a disastrous affect on the US economy because it was so interconnected with other companies.

The banking crisis had a severe impact on the real economy. The liquidity of banks was frozen and they could no longer make loans to businesses for working capital needs or to consumers to purchase cars and other consumer products. As a result economic activity in the US declined and the US entered into the most severe recession since the great depression. Europe and the emerging markets also suffered a severe slowdown in economic activity.

Until September of 2008 Russia felt that it was immune from the global crisis because it had over 600 billion dollars in bank reserves and a stabilization fund of about 150 billion dollars. In addition Russian banks had no direct exposure to the «toxic assets» that had so infected the western banking system. The impact of the global crisis was dramatically felt in Russia when Lehman Brothers declared bankruptcy and the US was forced to bail out AIG. As a result of these events confidence in the worldwide banking system was greatly diminished and a virtual freeze in the interbank lending market. The Russian equity market experienced a sharp increase in selloffs fuelled by margin calls and investors cashed in their rapidly dwindling equity positions. Fear and panic engulfed the worldwide financial markets and the Russian stock market was no exception as it was forced to close early on a number of occasions to prevent panic selling.

As a result of the global recession the price of oil decreased from 147 dollars in July of 2008 to about $40 in December this fall in oil price creates great problems for the Russian Government because its revenues are projected to decline by 40% and for the first time in 10 years the Russian budget will have a deficit of about 8%. The 80% in the Russian stock market was largely a result of the global crisis as investors suffered liquidity problems and also lost confidence in Russia and other emerging markets. The fall in Russian stock prices created severe liquidity problems for Russian banks who had borrowed about 200 billion dollars from western banks and had used Russian stocks as collateral on these loans. Another 330 billion dollars was borrowed from western banks also using Russian stocks as collateral. Foreign direct investment also was greatly reduced.

In October of 2008 the Russian government responded to the global crisis with strong monetary and fiscal measures, The Russian Central Bank established a gradual devaluation policy of 1% per week until January of 2009. Although this policy caused the Central Bank to use about 200 billion dollars of its bank reserves it prevented a run on Russian banks similar to what happened in 1998. The government cut taxes on oil profits and supported strategic industries and banks. The response by the Russian government is similar to the programs enacted by other G20 countries. Russia still faces enormous challenges in dealing with the global crisis. Unemployment is expected to be about 12 million people major industries such as auto and steel are in serious decline and many analysts are predicting a nonperforming loan rate of 20%. Finance minister Kudrin and others are being prudent in their response to the global and perhaps there will be some positive results by the end of this year.