

Central Bank Leaves Rates Unchanged

By [The Moscow Times](#)

August 01, 2010

The  Moscow Times

The Central Bank left its main interest rates unchanged for a second month on Friday and said bank lending jumped in June, as an economic recovery gathered speed and inflation slowed.

The regulator kept the refinancing rate at a record low 7.75 percent, it said Friday, as forecast by all 21 economists in a Bloomberg survey. It also left the repurchase rate charged on one- and seven-day loans unchanged at 6.75 percent. The regulator last trimmed rates May 31.

"Positive trends were seen in macroeconomic indicators," the Central Bank said in a statement. "Continued dynamic growth of capital investment and retail sales, as well as further growth of credit volume in the banking sector, are significant signs of recovering economic activity."

If these trends stay unchanged, the rates will be acceptable for "the coming months."

The Economic Development Ministry will raise its forecast for growth this year from 4 percent after household demand boosted output last quarter, Deputy Minister Andrei Klepach said last

week. Gross domestic product rose an annual 5.4 percent in the three months through June, he said.

GDP advanced 2.9 percent in the first quarter, according to the State Statistics Service.

"Economic growth continues, but it hasn't become investment-oriented to the necessary extent," Klepach said. "The subcomponents of growth remain fairly fragile, with the exception of consumer demand."

Russia will experience "moderate" growth from 2011 to 2013 and will not reach pre-crisis levels of GDP until the fourth quarter of 2012, Finance Minister Alexei Kudrin said on Wednesday. "We'll just be emerging from the crisis."

Annual inflation slowed to 5.8 percent last month from 6 percent in May, according to the State Statistics Service. The average rate banks charge on ruble-denominated loans to companies reached 11.5 percent in June, compared with 11.4 percent the previous month, according to Central Bank data.

"A still sizable output gap will likely keep core inflation pressures subdued, allowing the Central Bank to maintain the current level of interest rates for the rest of the year," said Anna Zadornova, a London-based economist at Goldman Sachs.

Still, inflation has probably "reached a bottom" this month and "adverse weather conditions increased the risk of an upside surprise in food prices in the near term," she said.

While the bank will continue to intervene on currency markets to "smooth out the volatility" of the ruble, "we will not set a target for the ruble's nominal or real exchange rate," Central Bank First Deputy Chairman Alexei Ulyukayev said Thursday.

The ruble may strengthen to 28 versus the dollar by the end of 2012 and maintain a "trend toward appreciation" in the next three years, according to a government report last month. The ruble may gain 20 percent in the next three years against the currencies of Russia's major trading partners with the effects of inflation stripped out, the report said.

Russian bank lending expanded in June by the most this year, the Central Bank said in a statement.

Corporate loans grew 2.1 percent, compared with 1.9 percent in May, it said. Retail lending expanded 1.6 percent from 1.2 percent in the previous month. Deposits increased 3.2 percent versus 1.7 percent.

Original url: <https://www.themoscowtimes.com/2010/08/01/central-bank-leaves-rates-unchanged-a295>