

Banks See Inflation Leading to Price Caps, Lower Tariffs

By [The Moscow Times](#)

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Russia's inflation pressures following a crop-destroying drought and wildfires may force the government to impose price caps on food and limit planned tariff increases, Credit Suisse and Citigroup said Wednesday.

The government will probably "act much more aggressively" in curbing prices charged by retailers and producers, Credit Suisse economists, led by Sergei Voloboev in London, said in a research note. They raised their inflation forecast to 8 percent this year, compared with 7 percent previously.

Citigroup, which forecasts that consumer price growth will reach 9.2 percent, said the government might choose to impose lower tariffs than previously planned, in a report.

Record heat, forest fires and the worst drought in half a century have crippled the farming industry and forced manufacturers to suspend output. August prices rose the most in a decade

from July, accelerating to 0.6 percent, compared with zero percent in August last year.

Consumer prices rose 0.2 percent in the week to Monday, mostly on food, the State Statistics Service said Wednesday.

The price of eggs soared 13.7 percent in the week, while buckwheat groats rose 8.7 percent and millet jumped 2.7 percent, it said. Consumer prices rose 5.6 percent in the year to Monday.

Economic Development Minister Elvira Nabiullina said last week that she was against price caps on food staples, even after prices rose 30 percent in some regions.

Inflation may force the Central Bank to increase reserve requirements for lenders as early as next month, Maxim Oreshkin, chief strategist for Russia and the Commonwealth of Independent States at Credit Agricole, said in a research noted dated Tuesday.

The French lender raised its 2010 Russian inflation forecast to 8 percent from 7.5 percent.

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