

# Klepach: Growth Fragile, Too Early for Rate Hikes

By [The Moscow Times](#)

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LONDON — Economic growth remains fragile, and it is too early for the Central Bank to start raising interest rates, Deputy Economic Development Minister Andrei Klepach said Tuesday.

"We don't think there is any need to raise rates just yet. When inflation picks up more, there will be a case. But right now, economic growth is still very fragile," he told reporters on the sidelines of an Adam Smith banking forum in London.

He predicted the ruble would appreciate by 2 percent to 3 percent in real terms next year, with inflation at about 6.5 percent to 7 percent.

Price growth is expected to slow next year from the 8.3 percent to 8.5 percent that is likely this year, he added.

"The base case is inflation won't exceed 0.8 percent in November, and the same in December.

Those are our preliminary estimates" Klepach said.

He said the economy continues to improve after the worst recession in 15 years, with industrial production this year expected to grow by 8 percent instead of the previous estimate of 7.6 percent.

Klepach said the government forecasts next year's harvest at 85 million tons versus this year's 60.5 million.

Capital outflows this year are likely to be a hefty \$22 billion to \$25 billion, he said, though there were some hopes of finishing 2011 with net inflows.

Earlier he told the conference that Russia was unlikely to meet its goal of achieving a zero budget deficit by 2015, as the country needs to step up spending on health care, education and defense.

"By 2015 our objective is to achieve zero deficit in the budget. If we want to implement health care, defense, education ... we are not able to achieve zero ... you make your own calculations. That's why we are still looking for solutions," he said.

A stable economic system and steady growth rates of 4 percent to 5 percent are ideal, he noted, warning that otherwise the economy would remain vulnerable to outside shocks.

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