

Inflation Hit 2010 High of 8.7% in December

By [The Moscow Times](#)

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Inflation rose to the highest rate in 2010 in December as more expensive food and increasing consumer demand spurred price growth, putting pressure on the Central Bank to raise borrowing costs.

Inflation accelerated to 8.7 percent, compared with 8.1 percent in November, the State Statistics Service in Moscow said last week in an e-mailed statement. The median estimate in a Bloomberg survey of 8 economists was for 8.6 percent. Prices advanced 1 percent from the previous month.

While inflationary risks “determined by monetary conditions” remain “moderate,” they “deserve greater attention” from policymakers, the Central Bank said Dec. 24 as it kept its refinancing rate at a record low 7.75 percent for a seventh month.

The bank already started “policy tightening” in December by raising the deposit rate by a

quarter-point to 2.75 percent, Sanna Kurronen, a Helsinki-based economist at Danske Bank, said in an e-mail. "I think that will be followed by a quarter-point increase in all key rates in every first-quarter meeting, so 75 basis points in total by the end of March."

Prices of food products in Russia rose 2 percent on the month in December, bringing their annual increase to 12.8 percent, according to the State Statistics Service's data released last week. Cost of non-food products rose 5 percent annually in December.

Policymakers are weighing the first refinancing rate increase since 2008 amid accelerating inflation. Central Bank Chairman Sergei Ignatyev said Dec. 23 that monetary policymakers will focus in 2011 on keeping inflation between 6 percent and 7 percent as rate setters no longer target the ruble's exchange rate.

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