

Inflation Grew for First Time in 3 Months on Food, Fuel

By [The Moscow Times](#)

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Inflation accelerated in April for the first time in three months to match the fastest pace since October 2009 as higher food prices and gasoline shortages fanned cost pressures.

The inflation rate climbed to 9.6 percent from 9.5 percent in March, the State Statistics Service said Wednesday. Consumer prices rose 0.4 percent from a month earlier, compared with 0.6 percent in March.

The Central Bank unexpectedly raised its main interest rates last week for a second time this year to rein in price growth, saying monetary factors may now sustain inflation originally sparked by shocks like last year's drought. Prime Minister Vladimir Putin's government raised export duties on gasoline last week to hold down prices and fight fuel shortages.

"The main driver continues to be food prices," Anton Nikitin, chief economist at Renaissance Capital, said Tuesday. "Given the gasoline shortage in certain parts of Russia, that component

will also spur inflation."

Gasoline prices jumped 0.9 percent in April from a month earlier, up from a 0.8 percent monthly decline in March. Food prices grew 0.4 percent in April from the previous month, compared with a 0.9 percent rise in March. Inflation in the year to date was 4.3 percent, compared with 3.5 percent in the first four months of 2010.

The Central Bank cited the growing "role of monetary factors" in sustaining inflation pressures when it raised the benchmark refinancing rate to 8.25 percent from 8 percent on April 29.

"Retail trade outstripping real incomes in recent months, combined with growing lending to individuals and the slower growth of retail deposits, suggest a likely drop in people's propensity to save," the Central Bank said in the statement. This "may become a factor of increasing inflation risks."

Retail sales increased 4.8 percent last month from a year earlier, while real wages unexpectedly fell for the first time in 16 months, and disposable income dropped 3.4 percent.

Fighting inflation is a bigger priority than containing ruble gains, Finance Minister Alexei Kudrin said April 25. The country "needs low inflation" to make financing cheaper for companies and home buyers, Putin said the same day, predicting that the rate won't exceed 7.5 percent this year, the slowest on record.

The government is seeking to prevent inflation from sapping purchasing power and consumer confidence less than a year before parliamentary and presidential elections. Russians see inflation, the fastest among the so-called BRIC countries, as the biggest challenge facing the country, according to a poll by the state-run VTsIOM research center.

Policymakers' surprise decision to raise rates suggests "a change of heart" to focus on inflation after a previous bias toward protecting the economy's recovery, Vladimir Pantyushin, chief economist at Barclays Capital, said in a note to clients on April 29.

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