

Inflation Down on Food Prices

By [The Moscow Times](#)

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Inflation rate fell to 9.4 percent in June from a year earlier, the lowest since December, as food costs declined.

Prices advanced 0.2 percent from a month earlier after increasing 0.5 percent in May, the State Statistics Service said Tuesday. Economists had forecast an increase of 9.6 percent from a year earlier and a monthly advance of 0.3 percent, according to two Bloomberg surveys.

Seasonal produce from the new harvest is easing price pressures and helping subdue the fastest price growth among the so-called BRIC countries. The Central Bank refrained from monetary tightening last week for the first time since November.

"A lot of the inflationary pressures are to do with food-price inflation, and we've seen some of the food prices come off a bit," said Darren Middleditch, an emerging markets economist at Capital Economics in London.

The inflation rate will probably fall to 8 percent by year-end, Middleditch estimates. The Central Bank will raise its benchmark interest rate by 50 basis points to 9 percent in two steps from the third quarter as the economic recovery and capacity shortages stoke inflation pressures, he said.

The Central Bank may still raise interest rates to limit risks stemming from a decline in savings and accelerating credit growth as consumer demand recovers, said Barbara Nestor, a London-based economist at Commerzbank.

"If this scenario materialized, the current level of real interest rates would still be little or no incentive for domestic savings," Nestor said before the inflation report. "Some of the underlying trends suggest that monetary tightening is likely to continue."

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