

No Sudden Moves Expected From Central Bank

By [The Moscow Times](#)

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SOCHI — The Central Bank plans no major policy shifts in response to volatility on global markets, a policymaker said, signaling that it does not plan to match the abrupt interest rate cut made by fellow emerging market heavyweight Brazil.

"We are an open economy, global events are affecting us now and will affect us until the end of the year," Alexei Ulyukayev, the bank's first deputy chairman, said Friday.

"This effect is marginal at the moment and is not very significant in macroeconomic terms. We must consider it, but it will not lead to any fundamental changes in policy," he told reporters on the sidelines of a banking conference in Sochi.

Although Ulyukayev did not comment on interest rate policy directly, his comments appeared to suggest that the Central Bank would hold rates unchanged at its next monthly policy meeting, for which no date has yet been set.

Brazil this week unexpectedly cut interest rates by half a point to 12 percent to cushion the impact of August's slump in stock markets and signs of a global slowdown.

The cut boosted Brazilian stocks but hit its currency, the real, and raised concerns that the Brazilian central bank might be letting its guard down on inflation and caving in to government pressure to help ease the impact of the slowdown.

Russian stocks were particularly hard-hit by the global market rout, with the benchmark MICEX Index falling nearly 10 percent in August, although the ruble and Russian bonds performed better in relative terms.

The Central Bank has raised its benchmark refinancing rate twice this year, by a total of 50 basis points, to 8.25 percent. Economists see the Central Bank holding its overnight deposit rate, which effectively serves as a floor on interbank rates, at 3.5 percent this month, with a quarter-point increase seen in the fourth quarter.

The Central Bank has signaled concern about the rate of loan growth in Russia as a possible driver of inflation pressures, even as supply shock resulting from last year's failed harvest drops out of the equation.

Ulyukayev estimated that monthly inflation was zero in August, which would mark the second consecutive month that prices were steady. Annual inflation was 9 percent in July, above the Central Bank's 7 percent year-end target.

"We are seeing the beginning of more solid growth in overall lending in Russia, and this usually leads the Central Bank to expect inflation and start to raise interest rates," VTB chief financial officer Herbert Moos said Thursday. "Unfortunately, what we saw in the last month, these large fluctuations, could cast into doubt whether this growth is sustainable. I think the Central Bank will note this volatility and will probably not touch interest rates [in September]."

In other comments, Ulyukayev forecast that net capital flows would be zero between May and December, after modest net outflows in July.

Capital outflows totaled more than \$30 billion in the first half of the year, in part reflecting uncertainty over the forthcoming presidential election, in which either Prime Minister Vladimir Putin or President Dmitry Medvedev will run.

Ulyukayev also said the Central Bank had bought about half a billion dollars through foreign-currency interventions in August as part of its managed float of the ruble.

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