

Interest Rates Unchanged on Inflation Risk

By [The Moscow Times](#)

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The Central Bank kept its key interest rates unchanged on Monday, highlighting rising inflationary risks but again signaling that it considered current rates to be appropriate for the coming months.

The regulator, as expected, held its refinancing rate at 8 percent, fixed one-day repo rate — a de facto ceiling for money-market rates — at 6.25 percent, and its overnight deposit rate at 4 percent.

"We consider the current level of money-market rates within the [Central Bank's] interest-rate corridor to be appropriate for the coming months," the bank said in a statement.

The Central Bank also said it was introducing a new one-week maximum auction deposit rate at 4.75 percent "to reduce volatility in money-market rates and increase the effectiveness of interest-rate policy."

The new rate will help the Central Bank to tighten its grip on money-market rates as it continues its gradual shift from focusing on the ruble exchange rate to using interest rates as its main tool for targeting inflation.

"This deposit auction could be used to maintain money-market rates at the center of the rate corridor if excessive banking reserves arise," said Maxim Oreshkin, chief economist for Russia and CIS at Credit Agricole in Moscow.

Although inflation remained at a post-Soviet low of 3.7 percent in March, the regulator warned that mid-term inflation risks would be boosted by a planned increase from July 1 in household utility bills.

The Central Bank aims to keep year-end inflation below 6 percent, but some economists warn that there may be an overshoot, which explains the aversion to easing policy despite the low current inflation number.

"It looks like the Central Bank's statement means that there will be a 'status quo' with rates in coming months," said Natalia Orlova, chief economist at Alfa Bank in Moscow.

The next policy meeting will be held in the first half of May, the regulator said.

The Central Bank last month bought a net \$3.9 billion and 262.5 million euros (\$350 million) on the domestic currency market, according to a statement published on its website Monday, Bloomberg reported.

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