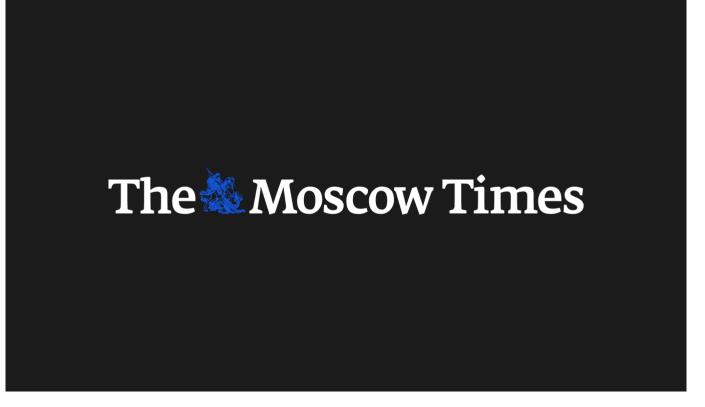


Central Bank Keeps Key Rates Unchanged

By The Moscow Times

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The Central Bank tweaked its policy rates Monday, a move designed to reduce market volatility. Meanwhile, main lending rates were left unchanged.

The bank raised its fixed deposit rate 25 basis points to 4.5 percent and cut its foreign exchange swap rate for rubles 25 basis points to 6.5 percent.

The decisions represent a more dovish stance than at the time of the last rate change, in September, when the bank raised all its rates 25 basis points to crack down on rising inflation.

"Basically, the Central Bank has signaled that going forward there will be a pause," said Vladimir Kolychev, chief economist at Rosbank. "The rate decision indicates that the current tightening has ended."

Most analysts had predicted no change in rates at Monday's meeting. A recent easing of inflation concerns and growing evidence of an economic slowdown have reduced pressure on the Central Bank to continue interest rates hikes.

However, an increase in the deposit rate has long been seen as likely at some point, as the step is in line with the bank's long-term strategy of reducing the spread between its deposit and lending rates, which determines the range in which money market rates fluctuate.

The rate cut for foreign currency swaps, which follows a similar cut in June, brings the currency swap rate into line with the fixed one-day repo rate.

The fixed one-day repo rate was left unchanged at 6.5 percent, with the auction repo rate unchanged at 5.5 percent and the overnight refinancing rate held at 8.25 percent, implying no change in the Central Bank's main lending rates.

Economic Development Minister Andrei Belousov said the economy has grown 3.5 percent in 2012, sticking with an earlier estimate by his ministry.

"Next year, going by fairly optimistic estimates, we will come closer to 4 percent [growth]," Belousov said at a meeting with President Vladimir Putin's campaign representatives Sunday, Interfax reported.

(Reuters, MT)

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