

Central Bank Might Raise Interest Rates

By [The Moscow Times](#)

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The Central Bank confirmed on Tuesday that it might raise interest rates briefly if inflation threatens to get out of hand, but its first monetary policy report shed little new light on its likely strategy this year.

The "Report on Monetary-Credit Policy" contains 58 pages of detailed analysis aimed at making the bank's deliberations more transparent at a time of growing political pressure to slash interest rates and boost flagging economic growth.

The pilot edition of the quarterly report is part of an effort by the Central Bank to explain its shift toward targeting inflation and away from its historical focus on the exchange rate.

The new report was released as the bank, which is on the eve of a leadership change, is confronted by calls from President Vladimir Putin and other top officials to ease policy as economic growth in Russia weakens.

"This helps us to understand their thinking and their reasons for an action and hopefully

provide a basis for a more informed policy discussion ... about rates and different trade-offs between inflation and growth," said Jacob Nell, an economist at Morgan Stanley in Moscow.

A current issue of concern is a New Year's spike in inflation, which rose in January to 7.1 percent year on year and argues against a possible rate cut when the Central Bank holds its next policy meeting on Feb. 12.

In the report, the Central Bank confirmed its inflation-targeting goals, saying it might raise interest rates for a short period of time if inflation risks, such as depreciation of the ruble against a backdrop of external shocks, materialize.

The regulator predicted that inflation would hold above its full-year target of 5-6 percent during the first half of the year.

"We assess the current situation in the Russian economy as relatively stable, and the main risks come from the external sector," it said, adding that weak external demand would remain a drag on Russia's economic growth in the first half of the year.

Dmitry Polevoi, an economist at ING Eurasia bank in Moscow, said the quarterly report showed that the case for easing remained intact as core inflation is under control but was only likely to happen later in the year.

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