

# Central Bank Warns of Risks to Growth but Keeps Rates on Hold

By [The Moscow Times](#)

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The Central Bank warned of risks to growth and said output was below potential but, with inflation above target and the ruble weak, it resisted political pressure to cut interest rates.

Data this month showing that manufacturing and services sector activity shrank in July added to signs that Russia's economy is losing steam.

That has bolstered the case for the Central Bank to cut interest rates, a move the Kremlin has been urging to shore up the economy. But with inflation above 6 percent and the ruble hitting a four-year low this week, the bank kept rates unchanged at a policy meeting Friday, although analysts expect it to loosen monetary policy soon as inflation comes closer to the bank's 5 to 6 percent target range.

In an accompanying statement, the bank said output in the economy was "somewhat lower than its potential level," signifying no pressure on inflation on the demand side.

It reiterated its forecast that inflation would return to its target range by year-end and also predicted that inflation would continue to fall in 2014. Inflation on Aug. 5 was 6.5 percent, the bank said, while core inflation in July was 5.6 percent, down from 5.8 percent in June.

For the 11th month in a row, the Central Bank kept the one-day auction repo rate unchanged at 5.5 percent, while the fixed one-day repo rate stays at 6.5 percent and the overnight deposit rate at 4.5 percent.

The refinancing rate, the largely symbolic cost of overnight loans from the Central Bank, was held at 8.25 percent.

Russia forecasts its economic growth will slow to 2.4 percent this year, due in part to weak investment and falling commodities prices, from 3.4 percent in 2012.

The ruble has been weakened in recent weeks by selling pressure on emerging market currencies on concerns that the U.S. Federal Reserve could soon start to taper its stimulus program, which had spurred capital inflows into emerging economies.

A majority of analysts polled had expected the bank to keep rates on hold at Friday's meeting.

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