

Central Bank Hikes Interest Rates by 1.5% to Stem Ukraine Fallout

By [The Moscow Times](#)

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The Central Bank unexpectedly raised its key interest rates on Monday in a bid to prop up the sliding ruble in the wake of a government decision to authorize sending troops to Ukraine.

The bank did not mention Ukraine in its decision, simply saying it sought to head off the "risks of inflation and financial instability, which are related to the recently observed increase in the level of volatility on financial markets," according to a statement it posted online.

The ruble hit new lows against the dollar and euro Monday morning as Russia's stock markets tumbled 10 percent.

The key rate — for one-week repurchasing agreements — went up 1.5 percent to 7 percent immediately, as did most other rates. By charging more for its money, the Central Bank will reduce the supply of money to the banking system.

The decision is temporary, the Central Bank said. It will hold the next meeting on March 14.

On Saturday, the parliament's upper chamber, the Federation Council, unanimously approved a request from President Vladimir Putin for permission to use the country's armed forces in Ukraine.

Russia doesn't recognize the interim government in Kiev and says it needs to protect Russian speaking population in the face of a nationalist uprising in its neighbor country. Armed men thought to be Russian troops have been stationed throughout the Crimea, a largely pro-Russian province of Ukraine.

U.S. President Barack Obama and other Western leaders have condemned Russia's intervention, raising fears a standoff reminiscent of the Cold War.

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