

# Central Bank Warns Government Over 'Provocations'

By [The Moscow Times](#)

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An employee of a bank counts rouble banknotes in Moscow, Russia.

Russia's Central Bank warned the government Friday not to back the regulator into a corner from where it would be forced harm growth prospects in an effort to tackle inflation.

“We would like to discuss the question with the government so that they take into account ... their effect on general inflation,” Ksenia Yudayeva, first deputy governor of the Central Bank, said in an interview with television station Rossiya 24, Interfax reported.

Certain moves being contemplated by ministers could “provoke us toward policies that are essential from the point of view of inflation but possibly harmful from the point of view of economic growth,” Yudayeva added.

A new sales tax and possible utility price rises are among the measures Yudayeva was referring to. The Cabinet is due to decide this month on whether to introduce a new sales tax

in 2015 that Finance Minister Anton Siluanov has said could raise \$200 billion (\$14.8 billion) every year for state coffers.

The Central Bank is mandated to control consumer price growth but has consistently failed to meet its targets in recent years.

Inflation was spurred last month by food price rises that followed the Kremlin's decision to impose a ban on food imports from the U.S. and many European countries.

Yudayeva also said that the Central Bank now believes inflation will reach between 7 percent and 7.5 percent in 2014, RIA Novosti reported, bringing it into line with the Economic Development Ministry's latest forecast.

The Central Bank's inflation target for 2014 is 5 percent.

“It looks as if the regulator fully understands potential negative consequences of extra policy tightening for the economy while still standing ready to deliver rate hikes,” ING Bank's chief economist in Moscow Dmitry Polevoi wrote in a note to investors Friday.

The Central Bank has already raised interest rates three times this year in a bid to curb swelling inflation — a tendency that has caused dismay in some government circles as economic growth slows amid the ongoing crisis in Ukraine, falling investment and sanctions by the European Union and United States.

Yudayeva said Friday that the Central Bank expects the Russian economy to expand by 0.4 percent this year. The Economic Development Ministry predicts 0.5 percent growth.

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