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Inflation Creeps Ever Higher as Ruble Tailspin Hits Home

By The Moscow Times

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Russia's annualized inflation rate has surged to 8.6 percent as food import bans and the rapidly falling ruble drive prices relentless upward, making a mockery of the Central Bank's 5 percent target for this year, the bank's first deputy chief said Thursday.

Ksenia Yudayeva said the weakening ruble had added 1.3 to 1.5 percentage to inflation, and blamed the remaining 2 percent on "various specific factors," the RIA Novosti news agency reported.

The ruble has depreciated by over 30 percent since the beginning of the year under the weight of sanctions, investor jitters and oil price falls.

The specific factors include this year's poor harvest of buckwheat, a Russian staple, and the food bans slapped by Russia on Western products in August in response to sanctions against Kremlin over its policies in Ukraine, she said. Food prices have risen faster than headline

inflation, nearing 20 percent for meat and 15 percent for dairy and fish.

The Central Bank has hiked its key interest rate to 9.5 percent from 5.5 percent at the beginning of the year in an attempt to keep a lid on capital outflow and ruble depreciation.

In a policy paper released this month the Central Bank forecast inflation for this year at 8.2-8.4 percent. It expects inflation pressure to subside from spring next year.

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