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Russian Central Bank Raises Lending Rate

By The Moscow Times

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The Central Bank headquarters in Moscow.

Russia's Central Bank raised its main lending rate by 100 basis points to 10.5 percent on Thursday, in line with analysts' expectations, citing an increase in inflation and rising expectations that the ruble would weaken.

The bank also predicted lower economic growth in the next three years than previously forecast and said it would continue to raise its key rate if inflation risks strengthened, using significantly more hawkish language.

The bank has been under pressure to tighten policy to support the ruble, which has fallen almost 40 percent against the dollar since June, and rein in inflation which reached 9.1 percent in November.

The ruble extended losses after the Central Bank decision, since many in the market had

expected tougher action to support the currency.

The Central Bank has spent over $75 billion defending the ruble this year, including more than $5 billion since it floated the currency a month ago.

Thursday's rate rise means the bank has now raised its one-week minimum auction repo rate by a cumulative 500 basis points this year, despite a sharp slowdown in economic growth.

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