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Russia's Central Bank Says Ready to Lower Key Rate if Inflation Falls

By The Moscow Times

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The Central Bank headquarters in Moscow

The Russian Central Bank said on Wednesday that it first takes controlling inflation into account when it makes decisions on its key interest rate.

The bank also said it would be willing to lower its key rate if there was a stable trend of falling inflation and inflation expectations.

Consumer prices rose 11.4 percent in December in annual terms, and the Economic Development Ministry has warned that inflation may peak in the spring at 15 to 17 percent.

Falling oil prices and Western sanctions imposed on Russia for its role in the Ukraine crisis have spurred inflation and pushed the ruble to record lows late last year.

The Russian currency is still trading nearly 50 percent lower versus the greenback compared to the start of 2014, threatening Russia's financial stability.

The Central Bank last increased its key rate in an emergency move on Dec. 16 to an unprecedented level of 17 percent, a measure aimed at curbing the ruble's slide and bringing down above-target inflation.

"This decision has helped to stabilize the foreign exchange market, but inflation expectations remain high," the Central Bank's press service said in a statement, citing the bank's governor, Elvira Nabiullina.

The bank's next scheduled rate meeting is on Jan. 30.

"The board ... will decide on the level of the rate based on an assessment of risks to inflation, the current state of the economy and prospects for its development," the bank said.

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